

1 STATE OF NEW MEXICO
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
3 OIL CONSERVATION COMMISSION
4 STATE LAND OFFICE BUILDING
5 SANTA FE, NEW MEXICO

6
7 14 July 1988

8 COMMISSION HEARING

9 IN THE MATTER OF:

10 Application of Hanley Petroleum Inc. CASE
11 for an unorthodox oil well location, 9365
12 Lea County, New Mexico.

13 BEFORE: William J. Lemay, Chairman
14 Erling Brostuen, Commissioner
15 William M. Humphries, Commissioner

16 TRANSCRIPT OF HEARING

17 A P P E A R A N C E S

18 For the Division: Robert G. Stovall
19 Attorney at Law
20 Legal Counsel to the Division
21 State Land Office Bldg.
22 Santa Fe, New Mexico

23 For Hanley Petroleum, Inc.: W. Thomas Kellahin
24 Attorney at Law
25 KELLAHIN, KELLAHIN & AUBREY
P. O. Box 2265
Santa Fe, New Mexico 87504

For Exxon: James Bruce
Attorney at Law
HINKLE LAW FIRM
P. O. Box 2068
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1 MR. LEMAY: Now we'll take
2 Case 9365.

3 MR. STOVALL: Application of
4 Hanley Petroleum, Inc., for an unorthodox oil well loca-
5 tion, Lea County, New Mexico.

6 MR. LEMAY: Appearances in
7 this case?

8 It's on my docket here that
9 this case will be dismissed.

10 MR. BRUCE: Mr. Chairman, I
11 represent Exxon, Incorporated, which requested the dismis-
12 sal of this case.

13 MR. KELLAHIN: Mr. Chairman, I
14 represent Hanley and we were the original applicants and
15 obtained the unorthodox well location that was the subject
16 of the de novo application by Exxon.

17 We concur that the de novo
18 application can now be dismissed.

19 MR. LEMAY: Fine. Without --
20 is there any other appearances in this case?

21 It not, on the recommendation
22 of counsel this case will be dismissed without prejudice to
23 the applicant.

24
25 (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 that 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

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

27 April 1988

EXAMINER HEARING

IN THE MATTER OF:

Application of Hanley Petroleum, Inc. CASE
for an unorthodox oil well location, 9365
Lea County, New Mexico.

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division:

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I N D E X

L. D. ROBBINS

Direct Examination by Mr. Kellahin	4
Cross Examination by Mr. Stogner	13

E X H I B I T S

Hanley Exhibit One, Plat	5
Hanley Exhibit Two, Structure Map	6
Hanley Exhibit Three, Isopach	9
Hanley Exhibit Four, Notice	12

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MR. STOGNER: The hearing will come to order. Call next Case Number 9365.

MR. ROYBAL: Case 9365. Application of Hanley Petroleum, Inc., for an unorthodox oil well location, Lea County, New Mexico.

MR. STOGNER: Call for appearances.

MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of Santa Fe, New Mexico, appearing on behalf of the applicant and I have one witness.

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

MR. BRUCE: Mr. Examiner, my name is James Bruce of Santa Fe, representing Exxon Corporation.

We will have no witnesses.

MR. STOGNER: Thank you, Mr. Bruce.

Mr. Kellahin, will you have your witness please stand and be sworn at this time.

(Witness sworn.)

1 L. D. ROBBINS,
2 being called as a witness and being duly sworn upon his
3 oath, testified as follows, to-wit:

4

5

DIRECT EXAMINATION

6

BY MR. KELLAHIN:

7

Q Mr. Robbins, for the record would you
8 please state your name and occupation?

9

A L. D. Robbins. I'm President of Hanley
10 Petroleum.

11

Q Mr. Robbins, you hold a degree in geol-
12 ogy, do you, sir?

13

A Yes, sir, I got a degree in -- BS degree
14 in geology from Louisiana State University in 1955.

15

I attended graduate school at the Univer-
16 sity of Tulsa in the early 1960's, while employed by Mara-
17 thon Oil Company.

18

Q Would you summarize what has been your
19 employment experience as a petroleum geologist?

20

A Upon graduation I went to work for the
21 Ohio Oil Company, now Marathon, and worked in various field
22 and staff positions in Louisiana, Mississippi, Oklahoma,
23 Texas, Louisiana and New Mexico, and I first started to work
24 in the Permian Basin in early 1968.

25

I retired from Marathon in 1982 to my

1 present position.

2 Q Has Hanley Petroleum, Inc. been involved
3 in -- either as operator or working interest owner in
4 other Strawn wells drilled and produced in New Mexico?

5 A Yes, sir, we have.

6 Our proposed location is about 3-1/2
7 miles northwest of Humble City, or about halfway between
8 Hobbs and Lovington.

9 Q Let's take a moment and use Exhibit
10 Number One, which is the landman's plat --

11 A Yes, sir.

12 Q -- and have you locate for the Examiner
13 the 80-acre spacing unit for the well.

14 A Yes, sir, it's composed of the west half
15 of the southwest quarter of Section 10, 17 South, 37, and to
16 further reply to your question, just southeast of Lovington
17 we participated in two wells in the recent past based on
18 subsurface geologic interpretation and keying off of wells
19 with shows, both of which resulted in dry holes.

20 We participated in two wells just to the
21 west of our proposed location in Section 9 that were
22 operated by Exxon, the first of which was completed as an
23 economic producer; the second of which was completed as a
24 dry hole.

25 These two wells were based on the

1 incorporation of both subsurface well data and the interpre-
2 tation of seismic data.

3 Q Have you made a geologic study and eval-
4 uation of the proposed location and spacing unit for your
5 well in this section?

6 A Yes, sir, we have. We bought our quarter
7 section composed of the southeast quarter of section 9 at
8 the State sale in 1985.

9 After we purchased the lease, we then on
10 the advice of a geophysical consultant by the name of Don
11 Hibbits (sic) from Midland, Texas, who has worked extensive-
12 ly in the Strawn play in Lea County, we bought a line that
13 was east/west across the north boundaries of Section 9 and
14 10, and another line traversing southeasterly across this
15 area.

16 MR. KELLAHIN: At this time,
17 Mr. Examiner, we tender Mr. Robbins as an expert petroleum
18 geologist.

19 MR. STOGNER: Mr. Robbins is so
20 qualified.

21 Q Mr. Robbins, let me turn now to the
22 structure display that's marked as Exhibit Number Two to
23 this hearing. Does the structure as displayed on Exhibit
24 Number Two represent your opinion?

25

1 A Yes, sir, it does.

2 Q Take a moment and identify for the Exam-
3 iner the -- how you've located the subject well in the west
4 half of the southwest of 10.

5 A Yes, the -- the exhibit is the top of the
6 Strawn structure contoured on a 50 foot interval deep below
7 sea level, and the map is based on the -- on subsurface well
8 tops plus incorporation of seismic data, where available.

9 Also shown is Hanley leasehold interest
10 in yellow, plus the location of both the proprietary seismic
11 data of Hanley Petroleum, and purchased seismic data of Han-
12 ley Petroleum.

13 Q You are within a mile of the Shipp Strawn
14 Pool?

15 A Yes, sir, about 4500 feet southeast.

16 Q Can you identify for us some of the other
17 wells on this display that are in the Shipp Strawn Pool?

18 A All of the wells in Section 4 that you
19 see there, there's the Tipperary 1-4 Shipp, the 2-4 Shipp,
20 the Pennzoil Viersen wells, plus the Exxon EX No. 2 in Sec-
21 tion 9.

22 Q Can you identify the Amerind well that
23 was the subject of a Commission hearing last year and resul-
24 ted in a penalized allowable?

25 A Yes, sir, it's located 330 feet from the

1 south line and 1980 feet from the west line of Section 33.

2 Q That's the unorthodox location that
3 offsets the Tipperary well to the south?

4 A Yes, sir, the 1-4 State.

5 Q When we look in the north half of Section
6 9 there is an Exxon well. Was that well drilled before or
7 after the Shipp Strawn spacing rules?

8 A The permit was secured before field rules
9 were adopted.

10 Q The offset to the north is the Pennzoil
11 Viersen No. 3 Well?

12 A Yes, sir.

13 Q And that was the subject of a contested
14 Commission hearing and that well was penalized?

15 A Yes, sir, it was.

16 Q When we look in Section 3, there is a
17 well that's 330 from the common section line with the sec-
18 tion to the west in 4?

19 A Yes, sir.

20 Q What's that well?

21 A That's the Pennzoil Waldron dry hole.

22 Q What is the surface location for your
23 proposed unorthodox location?

24 A It's 990 from the south line and 330 from
25 the west line of Section 10.

1 Q Describe for us, Mr. Robbins, what is
2 your opinion with regards to the necessity, structurally, of
3 having the well located at the 330 location --

4 A All right.

5 Q -- as opposed to the closest standard lo-
6 cation.

7 A Our proposed location for the 11,500 foot
8 Strawn well is based on an interpretation of seismic data.
9 The lines are shown on the exhibit and in the opinion of our
10 geophysical consultant, this is the optimum location to test
11 the seismic anomaly that was mapped from the seismic data.
12 This is the optimum location to test it, and that the pro-
13 posed location is present on both a north/south and a north-
14 west/southeast seismic line where these points of data
15 cross.

16 Q If you'll turn now to Exhibit Number
17 Three, would that identify that exhibit for us?

18 A Yes, sir. This is a Strawn net porosity
19 isopach above 4 percent, based mainly on FDC/CNL logs. The
20 4 percent cutoff is commonly used, as I recall, both Penn-
21 zoil and Exxon in the Shipp Field hearing used the same par-
22 ameter.

23 In the vicinity of our proposed location
24 the data are based on interpretation of seismic data. Else-
25 where it's based on thicknesses encountered in the various

1 productive wells, plus the location of productive wells
2 where we do not have -- have not yet received copies of the
3 logs.

4 Q Can you use Exhibit Number Three and give
5 us examples in the Shipp Strawn Pool of where it makes a
6 critical difference to have wells located at unorthodox
7 locations?

8 A These mounds -- well, going back to the
9 Shipp Strawn hearing, both the Pennzoil and Exxon isopach
10 maps of these so-called phyloid (sic) algal mounds varied in
11 size from 30 to 160 acres.

12 We have some here contoured in that might
13 be slightly larger and going back to the Exxon EX Well in
14 Section 9, you can see an example there where the optimum
15 location for exploiting the reserves is approximately at the
16 location of the EX No. 2 Well.

17 Q And yet you can move 4-or-500 feet to the
18 north and encounter very little reservoir thickness.

19 A Of a reduced -- from 72 feet down to 7
20 feet.

21 Q When we look at the close proximity of
22 certain penetrations in the Shipp Strawn, can you give us
23 another example, perhaps the Tipperary Well in Section 4?

24 A I think, yeah, that's one of the, yeah,
25 the Pennzoil No. 2 Shipp was drilled as an east offset to

1 Tipperary No. 1-4 State and the reservoir rock declined from
2 94 feet to zero very abruptly.

3 Q Is it your opinion as a geologist that
4 the unorthodox location moving to the west to a 330 location
5 is critical in placing yourself at the optimum location on
6 this projected algal mound from which to develop the reser-
7 ves that potentially underlie your spacing unit?

8 A Yes, sir. Getting back to our initial
9 work here, when we purchased these two lines of seismic
10 data, our consultant identified an anomaly up at the --
11 where the EX Well was subsequently drilled and another ano-
12 maly further to the east of it, which proved to be a false
13 anomaly.

14 On the other line that we had purchased
15 he identified an anomaly approximately at our proposed loca-
16 tion.

17 We then went in at considerable expense
18 and placed two proprietary seismic lines that were paid for
19 100 percent by Hanley Petroleum, the north/south line of
20 which crossed where he said the anomaly was, 330 from the
21 west line of Section 10.

22 The other line traversing back up to the
23 vicinity of the EX No. 2, where we had known reservoir rock,
24 and so his analysis of going from the known to the unknown
25 and then tying it here, shows this, in his interpretation,

1 to be the optimum place to test the seismic anomaly that we
2 hope is associated with Strawn porosity.

3 Q Have you made an effort or has an effort
4 been made on behalf of you and your company to notify other
5 offset operators and interest owners of your proposed
6 application?

7 A Yes, sir, we have.

8 Q And as of today have you received any
9 objection from any interested party to your location?

10 A No, sir, we have not.

11 MR. KELLAHIN: Mr. Examiner, I
12 have marked as Exhibit Number Four the notice that was sent
13 from my office with regards to notifying offset operators of
14 our application for hearing today and to the best of my
15 knowledge, we've received no objection.

16 MR. STOGNER: Thank you, Mr.
17 Kellahin.

18 Are you ready to offer these
19 exhibits into --

20 MR. KELLAHIN: Yes, Mr. Stog-
21 ner, at this point we would offer Exhibits One through Four.

22 MR. STOGNER: Exhibits One
23 through Four will be admitted into evidence.

24 MR. BRUCE: That concludes my
25 examination of Mr. Robbins.

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CROSS EXAMINATION

BY MR. STOGNER:

Q Mr. Robbins, I'm looking at either one of these maps, you show five unorthodox locations. Of these five do you know which ones carry penalties?

A To my knowledge the ones that carry penalties were the Pennzoil No. 3 Shipp, located in the south part of Section 4; and the Amerind well in Section 33 that we discussed previously.

Q Have you had an opportunity to look at the penalized orders?

A I have, I read the Pennzoil one, yes, sir. I might point out, although we're within the jurisdictional classification of the Shipp Strawn Field, we consider our proposed well to be a wildcat in nature, in that we're separated from the Humble City abandoned wells by a dry hole and also there is a dry hole separating our location that we participated in between the Shipp Strawn Field. There are no other wells in the vicinity of our location and our data indicates that the 80-acre proration unit, which again, the well is located in the optimum place to drain this 80-acre proration unit, which are the field rules of the Shipp Strawn Field.

Q So in your opinion you're a wildcat by

1 nature of the pool in that it's made up of producing pods.

2 A Yes, sir.

3 Q And not wildcat by our rules and regula-
4 tions being more than a mile from the pool.

5 A Yes, sir, that's correct.

6 Q Okay. Have you had contact with Exxon?

7 A Yes, sir.

8 Q Okay, and what has the nature of that
9 contact with Exxon been?

10 A Well, we are partners with Exxon in this
11 area. Our 160-acre lease in Section 9 is a half of a 320-
12 acre working interest unit that Exxon operates, so we have a
13 1/3 leasehold interest in the east half of Section 9.

14 In the 80-acre tract Exxon also owns a
15 leasehold interest and our contact with Exxon was -- was
16 that we wanted to propose the location in Section 10 because
17 our analysis indicated that was where we were more likely to
18 encounter Strawn reservoir rock.

19 Their interpretation indicated that they
20 would elect with their leasehold interest to farmout to us,
21 so they're participating; they are farming out their acreage
22 in Section 10.

23 MR. STOGNER: I have no further
24 questions of Mr. Robbins.

25 Are there any other questions

1 of this witness?

2 If not, he may be excused.

3 Mr. Kellahin, do you have any-
4 thing further?

5 MR. KELLAHIN: Only an observa-
6 tion, Mr. Stogner, that the only penalized unorthodox loca-
7 tions that have resulted in this pool have been those that
8 were entered at after opposition by offsetting operators and
9 there have been a number of unorthodox locations approved
10 without a penalty because there, in fact, was no opposition.

11 When we originally proposed
12 this pool for Pennzoil some time ago, we had requested flex-
13 ibility in spacing of wells to be 330 and it was a result of
14 Mr. Stamets requesting that we take that back to a hearing
15 again that we were introduced in made subject to well loca-
16 tions being within 150 feet of the center of a quarter quar-
17 ter section.

18 So it was a result of -- of ac-
19 tion by the prior Director that we have the current spacing
20 rules and you can see that there are a number of exceptions
21 already approved and we believe that this one, also, ought
22 to be approved without a penalty.

23 MR. STOGNER: Thank you, Mr.
24 Kellahin.

25

1 Is there anything further from
2 anybody else in Case Number 9365?

3 It will be taken under advise-
4 ment.

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6 (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 that the foregoing Transcript of Hearing before the
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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. 9365
heard by me on 27 April 1988
Michael C. [Signature], Examiner
Oil Conservation Division