

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

26 October 1988

EXAMINER HEARING

IN THE MATTER OF:

Application of Union Oil Company of CASE
California d/b/a Unocal for a non- 9435
standard gas proration unit and un-
orthodox gas well location, 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: Robert G. Stovall
Legal Counsel to the Division
State Land Office Building
Santa Fe, New Mexico

For the Applicant:

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SANTA FE, NEW MEXICO

1 MR. STOGNER: Call next Case
2 Number 9435.

3 MR. STOVALL: Application of
4 Union Oil Company of California, d/b/a Unocal, for a non-
5 standard gas proration unit and unorthodox gas well loca-
6 tion, Lea County, New Mexico.

7 MR. STOGNER: Call for ap-
8 pearances.

9 MR. HALL: Mr. Examiner, Scott
10 Hall from Campbell & Black, appearing on behalf of Union
11 Oil Company.

12 I believe this case is simply
13 a readvertisement.

14 MR. STOGNER: When was this
15 heard, Mr. Hall? Do you remember?

16 MR. HALL: I don't know. I
17 think it was earlier this summer and an order has come out,
18 and it was a correction in the order, which also necessi-
19 tated a new advertisement.

20 MR. STOGNER: It looks like
21 the footage location was incorrect. Is that correct?

22 MR. HALL: I think so.

23 MR. STOGNER: It should have
24 been -- an order was issued in this particular case; how-
25 ever -- or I take that back. An order had been issued as

1 of yet but due to an advertisement error and an error in
2 the docket, this case was readvertised at this time to take
3 this matter up, and since there is no objections or ap-
4 pearances, this case will be taken under advisement.

5
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
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 and true record of the proceedings in
the Examiner hearing of Case No. 9435,
heard by me on 26 October 1988.

Michael E. Stogatz, Examiner
Oil Conservation Division

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

20 July 1988

EXAMINER HEARING

IN THE MATTER OF:

Application of Union Oil Company of CASE
California d/b/a Unocal for a non- 9435
standard gas proration unit and un-
orthodox gas well location, 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: Robert G. Stovall
 Attorney at Law
 Legal Counsel to the Division
 State Land Office Bldg.
 Santa Fe, New Mexico

For the Applicant: William F. Carr
 Attorney at Law
 CAMPBELL and BLACK, P. A.
 P. O. Box 2208
 Santa Fe, New Mexico 87501

I N D E X

JOHN T. GRAY

Direct Examination by Mr. Carr 3

E X H I B I T S

Unocal Exhibit One, Map 5

Unocal Exhibit Two, Structural Map 8

Unocal Exhibit Three, Isopach 8

Unocal Exhibit Four, Cross Section 9

Unocal Exhibit Five, Affidavit 10

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3 MR. STOVALL: Application of
4 Union Oil Company of California, d/b/a Unocal, for a non-
5 standard gas proration unit and unorthodox gas well loca-
6 tion, Lea County, New Mexico.

7 MR. STOGNER: Call for appear-
8 ances.

9 MR. CARR: May it please the
10 Examiner, my name is William F. Carr, with the law firm
11 Campbell & Black, P. A., of Santa Fe. We represent Unocal
12 and have one witness.

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

15 Will the witness please stand
16 and be sworn?

17
18 (Witness sworn.)

19
20 JOHN T. GRAY,
21 being called as a witness and being duly sworn upon his
22 oath, testified as follows, to-wit:

23
24 DIRECT EXAMINATION

25 BY MR. CARR:

1 Q Will you state your full name for the
2 record, please?

3 A My name is John T. Gray.

4 Q Where do you reside?

5 A I reside in Midland, Texas.

6 Q Mr. Gray, by whom are you employed and
7 in what capacity?

8 A By Union Oil Company of California as a
9 reservoir engineer.

10 Q Have you previously testified before
11 this Division and had your credentials as a reservoir en-
12 gineer accepted and made a matter of record?

13 A Yes, I have.

14 Q Are you familiar with the application
15 filed in this case on behalf of Unocal?

16 A Yes, sir, I am.

17 Q Are you familiar with the proposed well
18 and the subject area?

19 A Yes, I am.

20 MR. CARR: Are the witness'
21 qualifications acceptable?

22 MR. STOGNER: They are.

23 Q Mr. Gray, would you briefly state what
24 Unocal seeks with this application?

25 A We seek a nonstandard location and a

1 nonstandard proration unit for a gas well in the House-
2 Seven Rivers-Yates Pool.

3 Q Now, Mr. Gray, what is the status of the
4 rules for this particular pool?

5 A Currently they are on statewide rules.
6 We have an application before the Commission to change
7 those rules from the statewide 160-acre spacing to 80-acre
8 spacing.

9 Q Why is Unocal going forward at this time
10 with this application prior to the time the application for
11 the pool rules is resolved?

12 A We have lease expiration coming up
13 August 29th. We need to proceed.

14 Q Mr. Gray, would you refer to what has
15 been marked for identification as Unocal Exhibit Number One
16 and identify this and review the information on this exhi-
17 bit for Mr. Stogner?

18 A This is a map showing the proration unit
19 outlined in blue. The acreage that we own is outlined in
20 red and it's offsetting outside the pool area but within
21 the one mile limit.

22 Q And where is the stateline, the Texas/
23 New Mexico line?

24 A It is that broad, dashed line just to
25 the east of the red.

1 Q So this proration unit on the east
2 adjoins the New Mexico/Texas stateline.

3 A That's correct.

4 MR. STOGNER: Excuse me, Mr.
5 Carr, have we qualified your witness?

6 MR. CARR: Yes, you did.

7 MR. STOGNER: If we haven't
8 already, the witness --

9 MR. CARR: Are the witness'
10 qualifications acceptable, Mr. Stogner?

11 MR. STOGNER: They are.

12 Q Mr. Gray, we're referring to Exhibit
13 Number One, and you've identified an area outlined in blue,
14 the House-Yates-Seven Rivers, and as red the proration
15 unit.

16 Would you provide the footage descrip-
17 tion of the proposed unorthodox well location?

18 A Yes, it is approximately 600 feet from
19 the north line and 330 feet from the west line of Lot 1 in
20 Section 5.

21 Q Now this plat also shows other develop-
22 ment in the area, does it not?

23 A It does.

24 Q In what formation are those wells com-
25 pleted?

1 A They are mainly completed in the San
2 Andres, depth at about 4500.

3 Q How many wells are there currently pro-
4 ducing in the House-Yates-Seven Rivers Pool?

5 A I think there are three wells currently
6 producing.

7 Q Can you identify those for Mr. Stogner?

8 A Yes, I can. In Section 5, the MGF
9 Wright No. 1.

10 Q Which is which well in Section 5?

11 A It's the one in the --

12 Q The gas symbol?

13 A Right. Northeast of that in Section 32
14 is the MGF Sun No. 1. West of that in Section 31 is the
15 MGF Speight No. 1.

16 Q And what are the primary producing form-
17 ations in this area?

18 A This is primarily, here in the pool the
19 Seven Rivers formation. The adjacent wells are also San
20 Andres producers. There is one deep producer in Texas
21 that's a Clearfork producer.

22 Q In your opinion how important is struc-
23 ture in determining whether or not you're able to make a
24 successful well in this area?

25 A It's very important.

1 Q Let's go to Exhibit Number Two and I'd
2 ask you to identify that and review that for Mr. Stogner.

3 A Exhibit Two is a structure map on the
4 Seven Rivers. In red is outlined the Seven Rivers Pool.
5 The red dots are wells that have been completed in the
6 Seven Rivers formation. Two of those are not currently
7 producing.

8 The small red dot in the northwest quar-
9 ter of Section 5, or northeast quarter, excuse me, is our
10 proposed location.

11 Q And what is the area that is outlined in
12 yellow off to the right?

13 A That's Unocal's current acreage.

14 Q What is the status of the tract upon
15 which the proposed well is to be drilled? Who is the owner
16 of that?

17 A That, the owner of that is C. Craig
18 Folsen.

19 Q Is Mr. Folsen participating with you in
20 the development of this property?

21 A Yes, it was his proposal.

22 Q Now, let's move on to what has been mark-
23 ed as Exhibit Number Three and would you describe what that
24 is?

25 A Exhibit Three is the porosity isopach of

1 the Seven Rivers. Again the outline is in red and the
2 wells are similarly marked. This map shows that the poro-
3 sity is increasing as you go toward the east.

4 Q Anything else of this Exhibit?

5 A No.

6 Q Would you now go to Exhibit Number Four,
7 your cross section, and review that, and first of all, is
8 there a line for this cross section, a trace for this cross
9 section on Exhibit Number Three?

10 A Yes, there is. It goes from the MGF Sun
11 to the MGF Wright to the MGF Well (unclear).

12 Q Would you review Exhibit Number Four,
13 the cross section, please?

14 A This cross section shows the very thin
15 stringers that occur across the entire pool. As you go
16 from east to west the stringers thin out and one actually
17 totally disappears. The porosity is greatest in the MGF
18 No. 1. It has the largest amount of pay, over 10 percent.

19 Q Mr. Gray, from your study of this area
20 what conclusions have you reached about the potential for
21 drilling a successful well at the proposed unorthodox loca-
22 tion?

23 A We believe the well is a good candidate
24 because it is a combination of the two things that make
25 good well here. It is structurally similar to the MGF Sun

1 and it is -- has a good porosity structure also.

2 Q Do you believe it is possible at this
3 location to produce reserves from this pool that will
4 otherwise not be produced?

5 A That's correct.

6 Q Why is the nonstandard proration neces-
7 sary?

8 A Because of the U. S. Public Land Survey.

9 Q And there's no other reasonable acreage
10 to dedicate to this well, is there?

11 A That's correct.

12 Q Why is the unorthodox location neces-
13 sary?

14 A Because it's taking advantage of the
15 structural position.

16 Q Would you identify what has been marked
17 as Unocal Exhibit Number Five, please?

18 A This is the affidavit from William F.
19 Carr stating that Rule 1207 has been complied with.

20 Q And attached to that are copies of let-
21 ters to offsetting owners?

22 A That's correct.

23 Q And to whom has notice been given?

24 A To Cities Service Oil and Gas Corpora-
25 tion and MGF Oil Corporation.

1 Q Were Exhibits One through Four prepared
2 by you and Exhibit Five compiled at your direction?

3 A Yes, they were.

4 MR. CARR: At this time, Mr.
5 Stogner, we move the admission of Unocal Exhibits One
6 through Five.

7 MR. STOGNER: Exhibits One
8 through Five will be admitted into evidence.

9 MR. CARR: That concludes my
10 direct examination of Mr. Gray.

11 MR. STOGNER: I feel compelled
12 to ask this question.

13 Who is the offset operator
14 across the Texas stateline?

15 A Unocal.

16 MR. STOGNER: Your counterpart
17 in Texas didn't object then.

18 A No.

19 MR. STOGNER: Let's see, this
20 pool is presently is pending an order, is that correct,
21 Mr. Carr?

22 MR. CARR; That's right, Mr.
23 Stogner.

24 MR. STOGNER: And in Case Num-
25 ber 9460, is that right?

1 MR. CARR: I don't know, if
2 you say so. There was an application filed by Unocal to
3 reduce spacing from statewide 160's to 80-acre spacing, and
4 this would be an unorthodox location regardless of what the
5 disposition of that matter is.

6 MR. STOGNER: And also the
7 proration unit.

8 MR. CARR: That's right.

9 MR. STOGNER: Okay. I'm going
10 to take administrative notice of Case Number 9416 at this
11 time, also.

12 I have no other questions of
13 this witness.

14 Are there any questions of Mr
15 Gray?

16 If not, he may be excused.

17 Anything further in Case Num-
18 ber 9435?

19 MR. CARR: Nothing further.

20 MR. STOGNER: This case will
21 be taken under advisement.

22

23 (Hearing concluded.)

24

25

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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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. 9435
heard by me on 20 July 19 88.
Michael H. Hagan, Examiner
Oil Conservation Division