

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

2 December 1987

EXAMINER HEARING

IN THE MATTER OF:

Application of Petroleum Corporation CASE
of New Mexico for nonstandard oil 9256
proration units and two unorthodox
oil well locations, Eddy County, New
Mexico.

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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For the Applicant: W. Thomas Kellahin
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I N D E X

SONNY LONGO

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MR. STOGNER: Call next Case
9256.

MR. TAYLOR: The application of
Petroleum Corporation of New Mexico for a nonstandard oil
proration unit and two unorthodox oil well locations, Eddy
County, New Mexico.

MR. STOGNER: Call for appear-
ances.

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

MR. STOGNER: Are there any
other appearances?

MR. PADILLA: Mr. Examiner, Er-
nest L. Padilla, Santa Fe, New Mexico, for Corinne B. Grace.

MR. STOGNER: Are there any
other appearancnes?

MR. TAYLOR: For Corinne Grace?

MR. STOGNER: Mr. Padilla, do
you have any witnesses?

MR. PADILLA: No witnesses.

MR. STOGNER: Will the witness
for Mr. Kellahin please be sworn in?

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(Witness sworn.)

MR. KELLAHIN: Mr. Examiner, my first witness is a practical oil and gas operator. His last name is spelled L-O-N-G-O.

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

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

A My name is Sonny Longo. I'm an oil and gas operator in New Mexico and also a practical engineer.

Q Mr. Longo, have you previously testified before the Oil Conservation Division as a practical oil and gas operator?

A Yes, sir, I have.

Q Would you describe your involvement with the company called Petroleum Corporation of New Mexico?

A I started the company with one other person. We incorporated about four months ago to build a new

1 company.

2 Q All right. What is your relationship
3 with that company?

4 A I'm one of the owners.

5 Q Mr. Longo, would you summarize for us by
6 looking at what we have marked as Exhibit Number One what
7 you propose to accomplish with this application?

8 A I have a farmout that has three small
9 proration units. One's 25.14 acres. One's 24.96 acres.
10 And one of 24.76 acres.

11 I wish to combine them acreages and get
12 two proration units consisting of one 40-acre tract to the
13 west and a 34.86 acres to the east.

14 Q When we look to the south of the section
15 line of your tracts, is that the section line that separates
16 the State of New Mexico from the State of Texas?

17 A Yes, sir, it is.

18 Q Your acreage is in the State of New
19 Mexico?

20 A Yes, sir, it is.

21 Q When we look to the south into the State
22 of Texas, can you describe for us what company, to your
23 knowledge, is the operator of the interests on that side of
24 the line?

25 A Texaco U.S.A.

1 Q Have you had an opportunity to discuss
2 with Texaco your proposal for the development of these short
3 sections or portions of sections involved in the New Mexico
4 side of the line?

5 A Yes, sir. I -- I contacted them and they
6 returned a letter telling me that they didn't -- I -- I told
7 them what I was going to do and asked them if they wished to
8 participate in any way with me, and they said no.

9 Q You have notified them of your plan of
10 consolidating these tracts together and forming spacing
11 units for the drilling of I believe it was Delaware wells?

12 A Yes, sir.

13 Q And they were aware of your desire to do
14 so?

15 A Yes, sir.

16 Q What other operators or interest owners
17 might potentially be affected by your application in Section
18 36, Mr. Longo?

19 A Perhaps Mrs. Grace, Corinne Grace.

20 Q Would you identify for the Examiner what
21 acreage you understand Mrs. Grace to have an interest in?

22 A I understand that she has the northwest
23 quarter, the northeast quarter, and 24.56 acres in the -- on
24 the east of my acreage.

25 Q When we look in Section 36, including the

1 four undersized tracts, what type of acreage are we dealing
2 with? Is this State of New Mexico, Federal, fee, what type?

3 A This is State of New Mexico.

4 Q All of it?

5 A All of it.

6 Q What type of wells do you propose to
7 drill in each of these tracts?

8 A 7200-foot tests, Delaware tests. I want
9 to sufficiently test all the zones in the Delaware.

10 Q Would you describe for the Examiner what
11 has been your experience and practice as a practical oil and
12 gas operator?

13 A Yes, sir. I started working several
14 years ago for Exxon. Then I went to work for Occidental;
15 from there Samidan Oil Corporation. I went to work for
16 Langford Engineering of Midland, Texas. I've also worked
17 for Jack J. Grynberg as a consulting engineer and Yates Pet-
18 roleum three years as a consulting engineer.

19 I was Vice President and one of the foun-
20 ders of Siete Oil and Gas Corporation for four and a half
21 years.

22 Q Within that range of experience, Mr. Lon-
23 go, would you describe for us in general the types of func-
24 tions you've performed?

25 A Yes, sir. I've done most everything that

1 has to do with the drilling of the well. I've -- I've per-
2 mitted, bought acreage, drilled and completed. I've got ex-
3 perience in secondary and tertiary recovery.

4 Q Would you describe specifically what has
5 been your experience with regards to drilling, completing,
6 and producing Delaware wells?

7 A Yes, sir. We discovered a Delaware field
8 three years ago that has been one of the better Delaware
9 fields in the State of New Mexico, and the test -- there had
10 been other Delawares in the area that they'd tried to
11 complete that they couldn't, so I feel like our -- our --
12 the way we've done them, the treatment given to them kind of
13 developed for Siete Oil and Gas.

14 MR. KELLAHIN: At this point,
15 Mr. Examiner, we would tender Mr. Longo as a practical oil
16 and gas operator.

17 MR. STOGNER: Mr. Longo is so
18 qualified.

19 Q Let me direct your attention now to
20 Exhibit Number Two. Would you take a moment and before we
21 explain the significance of the exhibit, would you simply
22 identify the exhibit for us?

23 A It's an Isopach or a -- or a topo map of
24 the area in question, 36, Township 26 South, Range 30 East,
25 Section 36.

1 Q Was this Isopach prepared by a petroleum
2 geologist?

3 A Yes, sir, it was.

4 Q And have you examined the information
5 from your own basis of knowledge and point of view to deter-
6 mine whether or not in your opinion you can utilize it as a
7 reasonable, accurate depiction of the potential for the Del-
8 aware development in this area?

9 A Yes, sir.

10 Q Take a moment now, sir, and help us iden-
11 tify the wells that are located on the exhibit, and if
12 you'll start up in Section 30, I believe there is a Well No.
13 2, is it?

14 A Yes, sir.

15 Q Would you identify that well for us and
16 describe it?

17 A Yes, sir. That's a (unclear) of Phantom
18 Draw Federal. That well showed very little Delaware forma-
19 tion. It seems to pinch out going to the east.

20 Q And how do you know that?

21 A Well, the contours, the depths, the dip,
22 the thickness of the formation, is what enabled this geolo-
23 gist to draw this Isopach.

24 Q When we go farther to the west in the
25 southern portion of Section 25, Mrs. Grace has a well, I

1 think it's identified as the No. 3?

2 A The Corinne Grace Connie --

3 Q Yes, sir.

4 A -- 3?

5 Q Yes, sir.

6 A Yes.

7 Q And what do you know about that well?

8 A Not very much. Mrs. Grace has kind of
9 kept it fairly quiet. The only thing that I do know, is
10 that it has made a producing well, but according to my
11 Isopach it kind of lays on the outer edge of it.

12 Q And you're talking about a Delaware
13 completion?

14 A Yes, sir.

15 Q All right, sir, and as we go to the north
16 of that well location in the north half of 25, Adobe has a
17 well, the Spitfire No. 1, is it?

18 A Yes, sir, it also is pretty thin that
19 way. It seems that this Delaware formation and most of the
20 Delaware formations in the Permian Basin seem to go from , to
21 me, from a northeast to a southwest, or they kind of lay on
22 an angle, most of the pools, whether they be large or small.

23 Q Using Exhibit Number one and Exhibit
24 Number Two together, let's look within Section 30 -- 36,
25 itself, and have you describe how you would see Section 36
being developed for Delaware production.

1 A Well, I don't know what Mrs. Grace has
2 done with her Zack Federal. I know it's been drilled and
3 that they've done some work on it.

4 Q There is a well in 36 already?

5 A No, I'm sorry. That's a -- that's a
6 proposed well. I was up in the lower part of 25, I'm sorry.

7 Q All right. In 36, now, how would you
8 propose that the various owners in 36 handle the issue of
9 the four short tracts on the southern tier of that section
10 so that everyone has a reasonable opportunity to share in
11 the Delaware production?

12 A Well, I have -- the way my farmout is, I
13 only have control on three of the four tracts. Mrs. Grace
14 has the other tract.

15 I don't -- I don't know if there could be
16 any way that you could incorporate them.

17 Q Well, let me start with this, Mr. Longo.
18 Will, in your opinion will each of the individual four
19 tracts have the ability to support and justify a well on
20 each of those tracts?

21 A No, sir. The way I AFE'd this, it costs
22 approximately \$500,000 to drill these wells and with the al-
23 lotment I'm not real sure of the exact amount, but I think
24 it would be somewhere in the -- around 50 or 55 barrels on
25 each, like, 25-acre blocks, so it would -- I don't believe

1 it would ever pay out in any length of time to consider it
2 as a good investment.

3 Q Let's look at Tract 4 and the western
4 portion of Tract 3 as the first nonstandard spacing and
5 proration unit.

6 When we combine those together what is
7 the size of that spacing unit?

8 A Well, it would give me, the way I
9 understand it, a 40-acre, it would give us a 40-acre tract,
10 which would be a standard proration unit in the State of New
11 Mexico.

12 Q Okay.

13 A For that depth.

14 Q And what is the proposed location for
15 that well?

16 A That -- the proposed location for that
17 well would be 1332 feet from the -- I mean 1320 feet, I'm
18 sorry, from the west line and that would be about 330 from
19 the north line.

20 Q The reason, then, for it being a
21 nonstandard spacing unit is that it is not a 40-acre tract
22 that is contained entirely within a quarter quarter section.

23 A I believe that's right.

24 Q When we look at the other proposed tract
25 that consists of a portion of Tract 3 and all of Section 2,

1 what have you proposed for the spacing unit for that well?

2 A On that it will be a 34.86 acres, which
3 would not be a complete 40 -- it wouldn't be a complete pro-
4 ration unit or like a 40-acre would, for a complete allot-
5 ment, so it would have to be a, probably a prorated allot-
6 ment for that acreage.

7 Q Do you have any objection to the Division
8 assigning a reduced allowable for that spacing unit and for
9 that well as a result of the deficiency in the acreage as-
10 signed to that well?

11 A No, sir, I do not.

12 Q And your proposed location, then, for
13 that well is where?

14 A Is -- that will be -- I'm going to try to
15 crowd my west -- my west -- well, let's see, I guess it
16 would be east boundary of the 40-acre tract, which would end
17 up about -- it would be 330 from the north line and it's 20
18 -- I've got to see where we ended up on that. It ends up
19 2454 feet from the west line.

20 Q Under the terms of your farmout agree-
21 ment, when must you commence your first well, Mr. Longo?

22 A On February the 1st.

23 Q In your opinion, based upon your exper-
24 ience, will approval of this application give you a fair and
25 reasonable opportunity without the drilling of unnecessary

1 wells, to develop your acreage in this section?

2 A Yes, sir, it would.

3 MR. KELLAHIN: That concludes
4 my examination of Mr. Longo, Mr. Stogner.

5 In addition we have enclosed
6 Exhibit Number Three, which is correspondence from Texaco
7 indicating their -- their knowledge about the proposal that
8 Mr. Longo has made and their response to his inquiry.

9 At this point we tender Mr.
10 Longo for further questions.

11

12 CROSS EXAMINATION

13 BY MR. STOGNER:

14 Q As far as notice goes, did you notify
15 anybody else besides Texaco in writing of this proposal?

16 A Not in writing, sir. I verbally contac-
17 ted Mrs. Grace and her attorney is here present. I've tal-
18 ked to her several times on the -- on the matter.

19 Q And who owns Lot 1?

20 A Mrs. Grace.

21 Q That's Corinne Grace.

22 A Yes, sir.

23 Q Okay, now how about the remainder of
24 Section 36? That would be the north half of the north half.

25 A That's all Mrs. Grace, also.

1 MR. KELLAHIN: Mr. Examiner,
2 that's all one State of New Mexico lease and she, as best
3 we know, is still the lessee.

4 MR. STOGNER: So that little
5 Lot 1 and then the north half north half --

6 MR. KELLAHIN: Yes, sir.

7 MR. STOGNER: -- is her lease.

8 MR. KELLAHIN: Yes, sir, all
9 under one, the same State of New Mexico lease.

10 MR. TAYLOR: Are there existing
11 proration units there, do you know?

12 MR. KELLAHIN: Not thus far as
13 best we know.

14 MR. TAYLOR: We're just trying
15 to look at the notice which says the rules are you have to
16 give notice to people who would be cut out, and as far as I
17 can tell, no one is --

18 MR. KELLAHIN: Mrs. Grace is
19 the only one who could possibly be affected. Mr. Longo's
20 farmout agreement is unusual insofar as the State of New
21 Mexico chose to issue a separate lease for Tracts 3 -- 2, 3,
22 and 4, and put the balance of that section in a separate
23 lease.

24 Q Mr. Longo, who did your survey?

25 A This was done, I believe, had this done

1 by Wendell Schoenberg (sic), had, let's see, Mr. John West
2 Engineering Company do this.

3 Q And that was an independent survey.

4 A Yes, sir.

5 Q And do you know when this was taken?

6 A Yes, sir, it was -- the day it began was
7 on 8-6 of '87 and the date ended was 8-8 of '87. It was,
8 let's see, he finally dated it after drawing and everything,
9 was 8-13 of '87.

10 Q Okay. Now was this the only documenta-
11 tion you got from the John West Engineering Company?

12 A Yes, sir.

13 Q He didn't give you any other kind of a
14 description?

15 A No, sir.

16 Q Just this drawing, and I believe I have a
17 copy of it that you sent with the application, is that
18 right?

19 A Yes, sir.

20 Q And your Exhibit One today is --

21 A The same.

22 Q -- a Xeroxed copy of a portion of that.

23 A Yes, sir.

24 Q Now, let's see, my copy shows surveyed
25 by an M. Webb.

1 A That's -- that's who I have. It shows on
2 this, on this original.

3 Q Do you know if he is a certified --
4 certified land surveyor?

5 A No, sir, I do not. I'm sure that Mr.
6 West, if he's working for his corporation, I don't know.
7 They hired the corporation, or the company, I'm sorry.

8 Q Now, when I refer to your Exhibit Number
9 Two, you show no wells or any kind of data to the south of
10 the state line to -- that corresponds with your -- your Iso-
11 porosity contours. Was there indeed some wells down there
12 that you --

13 A Further south I believe there is, but I
14 just -- the way my area of interest come out, that's the on-
15 ly thing we photographed after they put it together.

16 Q Which well do you propose to drill first?

17 A The one in the 40-acre spacing, the west
18 well.

19 MR. STOGNER: Mr. Kellahin, I'm
20 having a little difficulty trying to think about how I'm
21 going to put this in an order, so I'm going to ask from you
22 and Mr. Longo, is maybe have John West supply me with the
23 written description of each proration unit. I don't feel my
24 skills would be adequate to do it. It can be done but I
25 prefer if he --

1 MR. KELLAHIN: We will be happy
2 to supply it, sir.

3 MR. STOGNER: -- would so I
4 could put that in in a paragraph form.

5 MR. KELLAHIN: All right.

6 MR. STOGNER: And the only way
7 that I can see that it could be included is if we go with
8 the magnetic surveys, footage coming off of certain point,
9 and go from there.

10 So if he would, if he would
11 supply that for me, I would appreciate it.

12 MR. KELLAHIN: Be happy to do
13 that.

14 A Yes, sir.

15 MR. STOGNER: Very good.

16
17 (Thereupon a discussion was had off the record.)

18
19 MR. STOGNER: Back on the re-
20 cord.

21 Mr. Padilla, do you have any
22 questions of this witness?

23 MR. PADILLA: No, sir, I don't
24 have any.

25 MR. STOGNER: Mr. Kellahin, do

1 you have any further questions of Mr. Longo?

2 MR. KELLAHIN: No, sir.

3 MR. STOGNER: And this if for
4 the Delaware test, is that correct?

5 A Yes, sir.

6 MR. STOGNER: Okay. If there
7 is no further questions of Mr. Longo, he may be excused.

8 Mr. Kellahin, do you have
9 anything further?

10 MR. KELLAHIN: That's all.

11 MR. STOGNER: Mr. Padilla, do
12 you have anything to say in this case?

13 MR. PADILLA: No, sir.

14 MR. STOGNER: Mr. Kellahin, I'm
15 going to leave the record open pending the additional
16 information I'm requesting of your applicant.

17 MR. KELLAHIN: All right, sir.

18 MR. STOGNER: If there's
19 nothing in Case Number 9256, we'll move on.

20

21 (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 report of the proceedings in
the Examiner hearing of Case No. 9256,
heard by me on 2 December 1987.

Michael E. Hooper, Examiner
Oil Conservation Division

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

6 18 November 1987

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Petroleum Corporation CASE
10 of New Mexico for nonstandard oil 9256
11 proration units and two unorthodox
12 oil well locations, Eddy County, New
13 Mexico.

14 BEFORE: David R. Catanach, Examiner

15 TRANSCRIPT OF HEARING

16 A P P E A R A N C E S

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18 For the Division: Jeff Taylor
19 Attorney at Law
20 Legal Counsel to the Division
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21 For the Applicant:
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MR. CATANACH: Call next Case
9256.

MR. TAYLOR: Application of
Petroleum Corporation of New Mexico for nonstandard oil
proration units and two unorthodox oil well locations, Eddy
County, New Mexico.

The applicant has requested
that this case be continued.

MR. CATANACH: Case 9256 will
be continued to December 2nd.

(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 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. 2856, heard by me on November 18 1987.

David R. Catanach, Examiner
Oil Conservation Division