

CASE No.

5057

Application,

Transcripts,

Small Exhibits

ETC.

Sept 5

Application of Coquina Oil Corporation for an unorthodox  
gas well location in the West Atoka-Morrow Gas Pool, Eddy  
County, New Mexico. Proposed well to be drilled 660 feet from  
the South and East lines of Section 12, Township 18 South,  
Range 25 East. The S/2 of Section 12 will be dedicated to the  
well which will be drilled to the Pennsylvanian formation.

Ida -

I need to discuss this with

you

Bill

OK

dearnley, meier & associates

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BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
CONFERENCE ROOM, STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO  
October 16, 1973

EXAMINER HEARING

IN THE MATTER OF:

) Case No. 5057

)  
) Application of Coquina Oil Corporation  
) for an unorthodox location, Eddy  
) County, New Mexico.  
)  
)

BEFORE: A. L. PORTER, JR.  
Examiner.

TRANSCRIPT OF HEARING

1 MR. PORTER: The hearing will come to order,  
2 please, and this record will also show that present  
3 for the hearing are Mr. I. R. Trujillo, Chairman, and  
4 Secretary Director, A. L. Porter, Jr. We will take  
5 up case 5057.

6 MR. CARR: Application of Coquina Oil Corporation  
7 for an unorthodox location, Eddy County, New Mexico.

8 MR. KELLAHIN: Pardon me, if the Commission  
9 please. Jason Kellahin, Kellahin and Fox, Santa Fe,  
10 appearing for Applicant. We have one witness.

11 MR. HINKLE: If the Commission please, Clarence  
12 Hinkle, Hinkle, Bondurant, Cox and Eaton. I'd like  
13 to enter an appearance for the following protestors;  
14 American Trading & Production Corporation, David  
15 Fasken -- these are both of Midland -- Suburban Propane  
16 Gas Corporation of San Antonio, Texas, C & K Petroleum  
17 Company of Midland and Yates Petroleum Corporation.  
18 These are all protestants to the application, but I  
19 want to point out at the outset that we're only  
20 protesting the 330 foot location. We are not opposing  
21 the 660 feet from the South and East lines of Section  
22 12 which is the alternate in the application.

23 MR. PORTER: I see. You would agree to the  
24 660, but not to the 330?

25 MR. HINKLE: That's right. We're approving the

1 660.

2 MR. PORTER: Mr. Hinkle, are these all producers  
3 in that pool?

4 MR. HINKLE: All own acreage, working interest  
5 owners.

6 MR. PORTER: Working interest owners in the pool  
7 and have an interest in the well?

8 MR. HINKLE: I will point out later just what  
9 interests they have in summing up.

10 MR. PORTER: All right, sir. And you just have  
11 the one witness?

12 MR. KELLAHIN: That's correct.

13 MR. HINKLE: We have two witnesses.

14 MR. PORTER: Would you like to swear them all?

15 All right, Mr. Kellahin, you may proceed with  
16 your witness.

17 MR. KELLAHIN: If the Commission please, as  
18 Mr. Hinkle has indicated here, application here is  
19 in the alternative. Coquina Oil Corporation proposed  
20 an unorthodox well location 330 feet from the South  
21 and East lines of Section 12, 18 South, 25 East, in  
22 the West Atoka-Morrow Gas Pool, dedicating the South  
23 half of Section 12 to the well.

24 Or, in the alternative, applicant seeks approval  
25 of an unorthodox well location 660 feet from the South

1 and East lines of Section 12. Now, by way of  
2 explanation, it's rather unusual to ask for an  
3 unorthodox location in the alternative. There have  
4 been a number of wells as our testimony will show  
5 located at 660 foot locations. As Mr. Hinkle has  
6 indicated there is apparently no opposition to such  
7 location. We are, and again we will attempt to  
8 show this by testimony, seeking a 330 foot location  
9 to protect our correlative rights. However, we are  
10 doing this with the realization that on some occasions  
11 the Commission does impose a penalty factor and if  
12 the penalty factor is greater than in our opinion is  
13 economical, we would like to have the alternative,  
14 the 660 foot location. That's the reason for the  
15 alternative request.

16 MR. PORTER: In other words, Mr. Kellahin, you  
17 perhaps are hearing the evidence in this case. If the  
18 Commission should decide that they would allow a 330  
19 location with some penalty attached, you would still  
20 like the other alternative of drilling on the 660  
21 making a choice between accepting the penalty that  
22 would be imposed by the Commission?

23 MR. KELLAHIN: That is correct and that was  
24 the intent of our application.

25 \*\*\*\*\*

RICHARD C. NORMAN,

a witness, having been first duly sworn according to  
law, upon his oath testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, please?

A My name is Richard C. Norman.

Q What business are you engaged in, Mr. Norman?

A I'm a consulting geologist.

Q Where are you located?

A Located in Artesia, New Mexico.

Q How long have you been located in Artesia?

A Well, over 11 years.

Q Have you had any work in the West Atoka-Morrow Gas  
Pool?

A Yes, I have, over a period of probably ten years.

Q Over a period of ten years?

A Not the West Atoka, but in the Atoka-Penn (West),  
Atoka West Morrow Field.

Q Yes, sir. Now, have you testified before the Oil  
Conservation Commission and made your qualifications  
as a geologist a matter of record?

A Yes, I have, previously.

MR. KELLAHIN: Are the witness's qualifications  
acceptable?

1 MR. PORTER: Yes, they are.

2 Q (By Mr. Kellahin) Mr. Norman, are you familiar with

3 the application of Coquina Oil Corporation in Case

4 Number 5057?

5 A Yes, I am.

6 Q Briefly, what is the Applicant proposing in this

7 case?

8 A Well, we're proposing to drill an unorthodox location

9 330 feet from the South and East lines of Section 12,

10 Township 18 South, Range 25 East, which is shown on

11 Exhibit 6. We propose to drill in the south half of

12 Section 12 and Coquina owns the leases in this Section

13 12, of course, most of them with others. And we're

14 here to get this unorthodox location in order that

15 we can protect our acreage from drainage in Section 12.

16 Q Now, referring to what has been marked as Applicant's

17 Exhibit 1, does that show the wells that would be drilled

18 and completed in the subject pool?

19 A Yes, it does. I'd like to, if you don't mind, I'd like

20 to get up and point to some of these wells.

21 Q Yes, if you would, please.

22 A We particularly want to call your attention to some

23 of the wells that are producing now that are very high

24 capacity wells.

25 MR. HINKLE: He is referring to what Exhibit?

1 THE WITNESS: Referring to Exhibit 1 here.

2 A This is Exhibit 1. Exhibit 1, I would like to show  
3 on it, the high capacity wells that are in this  
4 channel system called the Hornbaker which runs along  
5 the line dividing Range 25 and 26 East, right here  
6 (indicating). The Fasken you'll notice just slightly  
7 east of the range line. This is the Fasken here down  
8 in Section 24 as a well that Fasken drilled, Brown Yates  
9 No. 1. That well has been producing at a rate of  
10 7 to 10 million cubic feet a day. These data were  
11 taken from the production figures of May and June.

12 Off the northeast here is the Mountain States  
13 Petroleum well; it's called McCaw No. 1. It's in  
14 Section 19, and it has been producing at a rate of  
15 6 to 7 million cubic feet of gas per day. That, by  
16 the way, was the original discovery in the West Atoka  
17 reservoir system.

18 MR. PORTER: Do you remember when that discovery  
19 was made?

20 THE WITNESS: It was about two years ago.

21 MR. PORTER: I believe it's shown on here as  
22 1970.

23 THE WITNESS: 10-70, yes.

24 MR. PORTER: Three years ago.

25 A This well has been producing at a rate of 6 to 7 million

1 cubic feet of gas per day.

2 North of the more recent completion is the  
3 C & K Vandiver No. 1 in Section 18. It has been  
4 producing at a rate of 8 million cubic feet of gas  
5 per day. And to the north of that is a more recent  
6 completion, Yates Petroleum Vandiver CN No. 1. That  
7 well is on production right now. I'd like to make  
8 a statement about that well, that's the very best  
9 well in the pool as it calculated open-flow potential  
10 of 235 million cubic feet of gas per day.

11 Q Probably one of the best wells in the State.

12 A To my knowledge it is. It's probably the second best  
13 well in the State that's been recorded. What I would  
14 like to point out is that they are producing now at  
15 a rate of ten million a day. They have run two and  
16 a half inch tubing in the well and have laid a ten-inch  
17 line to connect up to the Trans-Western Pipe Line and  
18 they're going to produce -- now this is according to  
19 reports -- for six days at this 10 million a day rate  
20 and then subsequently for 120 days they're going to  
21 produce it at 20 million. So you can see why we have  
22 cause for concern here because these high capacity wells,  
23 if we don't get one, we're in trouble. If we don't  
24 get a pretty good capacity well we may not get the  
25 drainage that are the high capacity wells to get adequate

1 drainage for our Morrow production well existing under  
2 Section 12.

3 Q Do you know what the pool production is at this point?

4 A Yes, sir. The cumulative production as of July 1 was  
5 6 billion, 774 million cubic feet of gas.

6 MR. PORTER: 6 billion?

7 THE WITNESS: 6 billion, 774 million cubic feet  
8 of gas.

9 Q (By Mr. Kellahin) Do you know what the monthly  
10 production is?

11 A The last given in June was, these high capacity wells,  
12 approximately 900, including the Yates well. Excuse me,  
13 the daily production now of these high capacity wells  
14 cumulative-wise would be 993 million cubic feet a  
15 month which is about a billion cubic feet per month.  
16 As you can pretty well tell, if there were reserve  
17 figures here of 40 billion which is what is commonly  
18 thought of in this system, based on pressure information  
19 already we produced at least a sixth of it. There's  
20 about 3.2 billion cubic feet of gas left to produce  
21 in this reservoir system. Therefore, it's very  
22 important that Coquina proceed with drilling operations  
23 very soon in order to get their share of this production.  
24 The fact that they're producing at the rate I stated  
25 previously, the field could be finished in six months.

1 approximately. In other words, it would be practically  
2 depleted. This is why we are here today to try to  
3 get an unorthodox location so we can actually protect  
4 the acreage that Coquina has on Section 12 from drainage.

5 Q Before you get into the drainage question are there  
6 any out-of-state wells proposed adjacent to your lease?

7 A I'd like to call attention here, currently there's a  
8 well being drilled by Fasken's in the South half of  
9 7 just immediately east of the proposed unorthodox  
10 locations. There's another one that's supposed to be  
11 proposed right here in the north half of Section 7.

12 MR. PORTER: You say the Fasken well is being  
13 drilled at the present time or just being proposed?

14 THE WITNESS: The one in the south is being  
15 drilled.

16 MR. PORTER: Ordinarily, how long does it take  
17 to drill a well in here?

18 THE WITNESS: A little less than a month, I believe,  
19 depending on the drilling contractor.

20 A This is our case here: We want to show that we need  
21 to get a well that has high capacity and be competitive  
22 in this reservoir system and this way we'll get our  
23 fair share of production.

24 Q (By Mr. Kellahin) Now, would you describe the reservoir  
25 system you're talking about?

1 A I'd like to, if you don't mind, I'd like to have my  
2 notes with this, please. If you don't mind, I'd like  
3 to go ahead and explain the maps to you, symbols and  
4 so forth so we're more understandable. They will get  
5 into specifics of the job and tell you what we believe  
6 in.

7 These contours right here that are colored yellow  
8 in the northern part of the map, that is the total sand  
9 in what we're considering or calling the Beach zone.  
10 This total sand is composed of four Beach sands which  
11 are on this figure 2, cross-section 1, 2, 3 and 4.  
12 These north-south trending contours here represent  
13 contours of Growth sand of the channel which is hereby  
14 called the Hornbaker Channel.

15 After the well down here was drilled there  
16 originally by Fasken and then whipstocked to the west  
17 and they got this situation here, this very thick  
18 channel sand here which tested gas and oil. Notice  
19 this first well they drilled was over on the west side  
20 and it was short, had very little sand.

21 MR. PORTER: What exhibit are you referring to  
22 here?

23 THE WITNESS: This is Exhibit 3 here I'm referring  
24 to.

25 A I'd like to point out also that regional depth is on

1 the southeast here. We didn't have enough room to  
2 get a lot of structure. It's not all that important  
3 in there. We're dealing with reservoir systems which  
4 is the most important thing here. That dip is about  
5 150 feet southeast striking the structure contour  
6 right northeast southwest.

7 I would also like to point out the symbology here  
8 on these. These dark blue flags represent either  
9 previously drilled locations or unorthodox locations  
10 or ones like this one here, the B drill and one drilling  
11 here. These two here in Section 25 represent wells  
12 that were whipstocked, sidetracked and they are a little  
13 different inasmuch as they ended up less than 660 feet  
14 from the section lines at TD 1.

15 There is another thing that should be called  
16 attention to, down in the southern part of the map  
17 of Exhibit 1, we have outlined three Beach sands that  
18 have produced and are still producing in the Atoka-Penn  
19 field. You will notice here there's a line that cuts  
20 through here, that two lines that cut through these  
21 Beaches and this is what we're calling the Arnquist  
22 Channel. I'd like to mention the parallelism of this  
23 trend here, this Beach trend, as we say it is, with the  
24 one we've drawn on the north there in this area of  
25 interest (indicating) and also that these channels

1 actually intersect and that pressure continuity  
2 exists with the Beaches.

3 Now, as far as southwest you have here a Beach  
4 system trend that has the same northeast-southwest  
5 trend across on the other side of the Hornbaker Channel  
6 from the Atoka-Penn pool. The other exhibits, other  
7 than Exhibit 1 here, which I've been stressing heavily  
8 to orient you, give you a point of reference, are  
9 Exhibits of cross-sections. These exhibits include  
10 Exhibit 3-- excuse me, let me start with Exhibit 2.

11 Exhibit 2 here goes from down through here and  
12 from this point, this is the north end and the cross-  
13 section here, that's Coquina Superior Federal that  
14 zigzags across this Hornbaker Channel system down to  
15 here, to the Yates Vandiver CN well. This is the  
16 high capacity well that's near us, near our proposed  
17 location.

18 Exhibits 3, 4 and 5 are additional data to show  
19 you stratigraphy in this area. Exhibit 3 is the  
20 southernmost cross-section. Exhibit 4 is the next one  
21 on the north and Exhibit 5 is the next one on the north  
22 beyond that one.

23 Q Now, you've been discussing the Beach sands, particularly  
24 the B Zone Beach sands on the north and the Hornbaker  
25 Channel. In your opinion are they through-connected?

1 A Yes, in my opinion they are. I would like to discuss  
2 this Hornbaker Channel in more detail right now. This  
3 Hornbaker Channel, I pretty well established the well  
4 data they have to date and as I said the maximum  
5 thickness lies just slightly east of the range line be-  
6 tween Range 25 East and 26 East. And you see this is  
7 only about 2500 and 2700 feet across this channel.  
8 That presents a very difficult target for the oil  
9 company or the gas company to drill and get to the  
10 really productive sand and you must to the best of  
11 your ability pick the best location because of this  
12 fact. It appears that the thicker sand you have in  
13 this Hornbaker Channel the thicker the sand is, the  
14 higher capacity well you have. In other words, you  
15 get -- there seems to be a common situation here.  
16 I've noticed this in the Morrow and many places of  
17 Eddy County, that the more sand you have, thickness,  
18 the better chance you have of getting some permeability.  
19 This doesn't apply in all cases but in general it does.  
20 And certainly plays in this case here.

21 I'd like to show what happens when you do have  
22 a thin section. I refer you back to Exhibit 3 which  
23 is showing two wells, one the first hole drilled by  
24 Fasken Hornbaker No. 1 in Section 25. This is the  
25 straight hole and you notice here they had about 50 feet

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- 1 of channel sand here, there on the edge of it. And
- 2 they ran a dip meter and determined by moving over to
- 3 the east, by running a dip meter they decided it told
- 4 them that they ought to move east a little bit and
- 5 they could get into the thickest part of the channel
- 6 which they did. They whipstocked the hole and drilled
- 7 over here from this point here to -- on Exhibit 1 I'll
- 8 show the location on the map. Here is the first hole
- 9 they drilled and they went over approximately 300 feet
- 10 with their whipstocked hole and got this 160 foot of
- 11 channel sand here which tested gas and water, had a
- 12 pretty good porosity and permeability. Of course, that
- 13 put a limit on our production to the south there, but
- 14 this is how close you can be, within 300 something
- 15 feet and go from tight rock here which tested in the
- 16 Hornbaker first hole gas to a small measure. Going
- 17 east you get into thick sand, 160 foot and good
- 18 permeability.
- 19 Q How far did they whipstock the well?
- 20 A Approximately 300 feet.
- 21 Q How far are they from the township line, roughly?
- 22 A 350 feet from the east line.
- 23 Q 350 from the east line?
- 24 A Yes.
- 25 O That is when you refer to an unorthodox location that

1 is closer than 660?

2 A Yes.

3 Q Does that indicate to you, Mr. Norman, that you could  
4 drill on the east side of the line, say at a 660  
5 location and probably hit the channel section, whereas  
6 if you drill on the west side of the line you can be  
7 on the edge of it and miss it?

8 A Yes. This is a problem we have. We've got to get  
9 this location down to a point where it's just right  
10 where we need it geologically speaking to get the  
11 maximum porosity and permeability.

12 I'd like to go ahead further and establish the  
13 continuity of the reservoir between the Hornbaker  
14 Channel and the Beach system we've got up here. We  
15 believe that the channel actually has cut into this  
16 Beach system here and has pressure continuity today.

17 Q In your opinion, which is laid down first? Which was  
18 laid down first geologically?

19 A We believe the Beaches were laid down first, then  
20 subsequently probably the regression of the sea moving  
21 outward caused the situation where it developed the  
22 channel cut through these beaches here that you have  
23 presently. We believe pressure continuity, reservoir  
24 continuity between this Hornbaker Channel and these  
25 Beach sands here that are shown by the Gross Isopach

1 map in yellow.

2 Now, if you don't mind I'd like to go ahead  
3 and show some similar correlations here and establish  
4 the fact that why we believe these sands here are  
5 Beach sands. If you refer to Exhibit 2, we'll go  
6 through the correlation and try to show you how our  
7 interpretation came about. Let's start at the right-  
8 hand side here which is Coquina Superior Federal No. 1  
9 on Exhibit 2. That's this well right here (indicating).  
10 Now, to show these beaches we've kind of zigged and  
11 zagged across here to get enough in there to give you  
12 a pictorial idea why we call them beaches. Going from  
13 the Coquina Superior Federal No. 1 east to the Fasken  
14 Armstrong No. 1. Section 25 of 18 South, Range 26 East,  
15 you will note that we've been able to carry our  
16 correlations from that one well first well in the  
17 cross-section over to the Armstrong No. 1. I would  
18 like to mention that this Coquina Superior Federal  
19 well, it has 9 feet of Beach sand and tested at a  
20 stabilized rate, 9.5 million cubic feet of gas per day.

21 Now, going across east this Fasken Armstrong well  
22 it has a small amount of pay, 5 feet, and has been  
23 perforated making some kind of gas well along with  
24 some other perforations. That particular zone was  
25 tested and it makes approximately 45,000 cubic feet of

1 gas per day.

2 I'd like to now carry this correlation back west  
3 across the channel, across the Hornbaker Channel to  
4 Coquina's No. 1, Section 11 of 18 South, 25 East. We  
5 find here beaches, beach sands shown in yellow and  
6 there is a little bay in what we call the B sand off  
7 this over-all B zone. This we're calling the B Beach  
8 Sand. It's a little confusing, but at any rate, this  
9 is our correlation. You can see that the continuity  
10 of these sands and the fact you can carry them across  
11 here in correlation with it and the fact these two  
12 wells, the Coquina No. 1 and the Fasken Armstrong No. 1  
13 appear to be in a sedimentary tract turning northeast  
14 southwest.

15 Bringing a cross-section a little farther south  
16 to the Coquina 5 Mile Unit No. 1, that's this well  
17 right here (indicating), you have no sand, no beach  
18 sand. Therefore, you have shaled-out these beach  
19 sands as you have gone out. In other words, they have  
20 shaled-out.

21 Q Is that the basis of your zero line on your Exhibit 1?

22 A Yes, sir. This here is our zero line. There is zero  
23 sand at this point, Beach sand. I would like to  
24 demonstrate for you how the fact that the Hornbaker  
25 Channel is in the same stratigraphic position than if

1 it came later in these beaches. As far as being  
2 deposited, it could very likely cut through these  
3 beaches and have pressure continuity just as it does  
4 down here in the Atoka-Penn pool on the south. This  
5 has been proven by pressure information in this  
6 Atoka-Penn pool.

7 I want to fold this map and let's just take these  
8 two wells here on a cross-section, Coquina Superior  
9 Federal No. 1 and the Fasken Armstrong No. 1. I'm going  
10 to insert this channel that is shown on a cross-section  
11 on the log copied from Yates Vandiver CN No. 1. Here  
12 I'm going to put that channel, hang it on the correlating  
13 manner of the Morrow series and you can see a junction  
14 at that position of this Hornbaker Channel with these  
15 four beach sands. As I said earlier, we believe that  
16 these are pressure continuity and reservoir continuity.  
17 One thing that does support us to some degree, where  
18 this interpretation is the Coquina Superior Federal  
19 No. 1, Section 1 of 18, 25, that well tested the C Beach  
20 sand as shown on the Exhibit 2 and it has a bottomhole  
21 pressure which is virtually static, was 310 pounds and  
22 this is really a subnormal pressure for this area.  
23 The original bottomhole pressure, for instance in the  
24 discovery well of this West Atoka field was this  
25 Mountain States McCaw was approximately 3600, just as

1 an example. But looking for a difference in depth  
2 here I was able to figure it that there was at least  
3 150 pounds lower pressure in this Coquina Superior  
4 Federal No. 1 and it should be normally.

5 Q Does that indicate drainage?

6 A To me it indicates some drainage.

7 Q From what well, would you say?

8 A I suspect from these high capacity wells down here  
9 further south from the Coquina Superior Federal. They  
10 have dropped the pressure. There is probably a  
11 pressure grading with pressure increasing away from  
12 these high capacity wells going northward and we're  
13 feeling the effect in that Coquina Superior Federal  
14 No. 1 of this vast withdrawal down here to the south  
15 where these wells are making 7 to 10 million cubic  
16 feet of gas per day. That is, on the date that this  
17 test was taken in the Coquina Superior Federal No. 1.  
18 I might also add that the pressure in a well very  
19 near this was on the first of August of this year, this  
20 Pennzoil-Vandiver well here in Section 13, 18, 25, it  
21 has a bottomhole pressure of 310 pounds. As you recall,  
22 we had 310 up here in Coquina Superior Federal No. 1.  
23 We believe that by drilling into this, getting a high  
24 capacity well in this channel system, the Hornbaker  
25 Channel system, we can drain the potentially productive

1 Beach sands that exist in the south half of Section 12.  
2 The main thing for us right now is to get a very good  
3 well, very high capacity well and I'd like to go into  
4 the Morrow geology cementation because that is what  
5 we're really fighting, cementation. To a large degree  
6 the Morrow sandstone is a coarse-grain sandstone usually  
7 when it's productive out here and it's not too well  
8 sorted. It can get grain sizes up to pebble-size or  
9 very fine. The more uniform it is the better your  
10 permeability is. It also has a little clay every now  
11 and then but we're looking at a situation where we  
12 have a well immediately to the south of us, here, that's  
13 the Pennzoil-Vandiver No. 2 which was taken over and  
14 made tight after Pennzoil decided they just didn't want  
15 to risk running pipe in it. Brunson-McKnight took that  
16 well over. It had 48 feet of channel sandstone in it,  
17 gross sandstone. And that well potentialized for a  
18 million cubic feet per day; it was very tight. It  
19 didn't have what we'd call porosity in it that was  
20 above a cut-off of 8 percent. In fact, it was generally  
21 less. So therefore, here you get a well that's on the  
22 edge of the channel and it did not have any real good  
23 commercial porosity and permeability. You go 1315 feet  
24 to the east across the line to the Yates Vandiver well  
25 which is the second largest well in New Mexico on the

1 basis of gas wells, and you have a tremendous situation  
2 in the way of capacity. Productive capacity is  
3 fabulous. Well, we naturally would like to have some  
4 of that productivity in our well so that we can  
5 adequately drain our reservoir in the south half of  
6 Section 12. So our main aim here is to get into this  
7 high capacity Hornbaker Channel system. We've seen  
8 where the well that, even with an unorthodox location,  
9 I think it was 660 from the line here, from the east  
10 line, the Pennzoil-Vandiver No. 2 which is now the  
11 Brunson-McKnight well, it didn't make it. It will  
12 probably be a sub-commercial well. So if we were to  
13 drill along the same isopach contour we anticipate  
14 around the same amount of sandstone thickness as this  
15 sub-commercial well, the Vandiver No. 2. We see a  
16 definite element of risk there in this proposed 660  
17 location. Consequently, we're going for the 330 so that  
18 we can get into that high capacity part of the channel  
19 that is the thicker part over to the east. And this  
20 is why we're here today. It's to request an unorthodox  
21 location 330 from the south and east lines so that  
22 we can compete with these other people that do have  
23 the high capacity wells.

24 Q Now, looking at your Exhibit 1, you have your zero  
25 contour line somewhat north of both the Pennzoil-Vandiver

1 well and the Yates Vandiver and the Yates CN and the  
2 C & K well. Does that indicate there's no beach sands  
3 there, in your opinion?

4 A In our opinion there is no beach sands south of it  
5 that we can see.

6 Q You have not found any evidence?

7 A We haven't noticed any. There are some sands in the  
8 area; some of them are channel sands but we don't  
9 recognize any beach sands.

10 Q Are those wells producing in your opinion from the  
11 channel sands exclusively?

12 A Yes, they are.

13 Q Where had the gas been coming from in that event?

14 A Well, it's coming from this main line here, this pipe  
15 line of porosity and permeability, determining who  
16 are in the Hornbaker Channel system.

17 Q Would the Hornbaker Channel system contain enough  
18 gas to produce the volumes that are being produced  
19 from the Yates well on its own acreage?

20 A Well, I think they're going to be eventually pulling  
21 from other areas around there. To answer your question,  
22 I believe they'll be draining other people in the  
23 final outcome.

24 Q Well, you've already indicated you think there is  
25 pressure differential?

1 A As a matter of fact, they have already taken out, this  
2 production is going out.  
3 Q So all you're trying to do is get in the same pipe  
4 line; is that your purpose?  
5 A That's correct.  
6 Q For the 330 location, you are in effect crowding the  
7 east line there by getting up to 330 foot location.  
8 Is this going to damage the correlative rights of your  
9 offset operators?  
10 A Well, no more than they're damaging our correlative  
11 rights.  
12 Q In other words, you're asking for the same opportunity  
13 to get into the same source of supply as this?  
14 A That's correct, so we can adequately drain our acreage  
15 in Section 12.  
16 Q Now, there has been some precedent for these unorthodox  
17 locations; has there not, and you've already mentioned  
18 some of them?  
19 A Well, there's been -- may I step back here, please?  
20 As I pointed out earlier, these flags, these dark blue  
21 flags, represent those wells that are at unorthodox  
22 locations in the sense of statewide ruling. For the  
23 Pennsylvanian gas well, the last three wells, have  
24 come to the Commission, in this reservoir system, have  
25 come to the Commission and gotten approval for an

1 unorthodox location.

2 MR. PORTER: Are they all 660?

3 THE WITNESS: They're all 660, the end line,  
4 yes, sir.

5 Q (By Mr. Kellahin) Are any of them penalized?

6 A None of them are penalized and there were no protests  
7 here at the hearing.

8 These, as we discussed earlier, there were two  
9 wells down there in Section 25 that their bottom was  
10 or is less than 660 feet from the east line which we  
11 believe is a situation that justifies our coming here  
12 and asking for a special unorthodox location.

13 Q Do you know what the bottomhole location of the Fasken  
14 Hornbaker No. 1 well is?

15 A The Hornbaker No. 1 here-- if you'd like, I would like  
16 to go ahead and give this to you now.

17 Q Yes.

18 A The situation in Section 25 of 18 South, Range 25 East,  
19 deserves special attention here on Exhibit 1. We're  
20 speaking of this well right here that I'm pointing to,  
21 Fasken Hornbaker No. 1. The spacing unit in the east  
22 half of the section for Morrow penetrations have been  
23 made with side-tracked holes. The first well was  
24 drilled by Fasken Hornbaker No. 1 in 1971, 80 feet  
25 from the north line, 660 feet from the east line. This

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1 well found 45 feet of impermeable channel sandstone  
2 which is on Exhibit 3 here. It was then sidetracked  
3 to a location 310 feet east and 83 feet south which,  
4 in effect, when it got down to TD it was, the bottom -  
5 hole was 350 feet from the east and 2,063 feet from  
6 the north line. Of course, at that point it penetrated  
7 this Hornbaker channel very adequately but this was  
8 wet; it was non-commercial. This well was plugged on  
9 May 7, 1972. In early 1973 this well was reentered  
10 by Yates Petroleum in an attempt to sidetrack the well  
11 1500 feet to the north. In other words, they entered  
12 this same old well and had old problems and they  
13 attempted to go north after approval for the special  
14 unorthodox location. That didn't work so they drilled  
15 an unorthodox location 660 feet from the north line,  
16 right here (indicating), and 620 feet from the east  
17 line, same section. They found 61 feet of minimum  
18 permeability channel sandstone. This hole was side-  
19 tracked 117 feet north, 48 degrees 21 minutes east  
20 to a location that was 520 feet from the north and  
21 530 feet from the east line. This is kind of entering  
22 to the north and there could not have been much  
23 production left up here after this well had gas and  
24 water, make a special consideration here to drill  
25 unorthodox location and to the best they could probably

- 1 put a 40-acre tract there with adequate production in  
2 it.
- 3 Q You're saying that that well has about 40 productive  
4 acres dedicated to it?
- 5 A Well, that's all that you could even get out of it based  
6 on geology mostly.
- 7 Q In other words, the well was a dry hole; wasn't it?
- 8 A It was a dry hole and it was tight. It was completed,  
9 however, I believe.
- 10 Q They did attempt to complete?
- 11 A They attempted completion, as I recall; but it's non-  
12 commercial, a non-commercial well. Actually, both  
13 the Fasken and Yates have had their opportunity for  
14 those unorthodox locations less than 600 and we believe  
15 that since there were no penalties assessed and there  
16 was no one protesting them, we also should get the same  
17 treatment up here in this proposed unorthodox location  
18 in Section 12.
- 19 Q Now, in summary, Mr. Norman, in your opinion, will the  
20 approval of this application protect the correlative  
21 rights?
- 22 A It will protect correlative rights, yes.
- 23 Q And I'm not just talking about your correlative rights.  
24 Will the correlative rights of the offsetting operators  
25 be imperiled in any way?

- 1 A I don't believe they will be imperiled inasmuch as  
2 we have a very large amount of the section we'll be  
3 draining in our section.
- 4 Q Now, you're talking about the section in the Hornbaker  
5 Channel?
- 6 A Section 12.
- 7 Q Are you also talking about this section in the north  
8 half of Section 12, South half of Section 12?
- 9 A I'm talking about drainage off that whole south half  
10 by the channel.
- 11 Q In your opinion, is all of the acres you propose to  
12 dedicate to the well productive from the pool is it  
13 productive acreage?
- 14 A I don't believe it will all be productive, most of it  
15 will be productive.
- 16 Q The major part of it?
- 17 A The major portion of it, a bigger percentage based  
18 on the Isopach Data. We can virtually cover all of  
19 that in the potential bay.
- 20 Q You have present there the deep sands plus the channel;  
21 is that correct?
- 22 A Yes, sir, we have both.
- 23 Q There are other wells in the pool which are not  
24 penalized in any way and do not have both; is that  
25 correct?

- 1 A The other wells to date, we cannot put Beach sands  
2 there. We think they're draining acreage on the  
3 north of the present high capacity wells.
- 4 Q And that's an area you'd also drain to some extent  
5 if this application were approved; is that correct?
- 6 A Yes, we would in the same system.
- 7 Q Now, unorthodox drill sites have been the rule rather  
8 than the exception in this pool; have they not?
- 9 A Yes.
- 10 Q And no penalties have been assessed against anyone?
- 11 A Not to my knowledge.
- 12 Q Now, actually as you described the formations involved  
13 here an unorthodox location is essential if you're  
14 going to get into this channel; is it not?
- 15 A I think so.
- 16 Q And that's true whether you're on the east or the  
17 west?
- 18 A Works both sides of the fence.
- 19 Q But a 660 location has much better chance on the east  
20 side of the channel than it would on the west side?
- 21 A Yes, because the channel is thickest just slightly  
22 south of the range line.
- 23 Q As I understand, you say that correlative rights will  
24 not be impaired and you're not going to take any gas  
25 from your offsetting operators other than what, other

1 than the amount they're presently taking from you; is  
2 that right?

3 A This is the way I believe.

4 Q On that basis, would you recommend any penalty be  
5 imposed on account of your 330 foot location?

6 A No, I don't believe we ought to have any penalty.

7 Q Were Exhibits 1 through 6 prepared by Coquina Oil  
8 Corporation?

9 A Yes, they were.

10 Q And they were furnished to you by Coquina; is that  
11 correct?

12 A Yes, sir.

13 Q Have you examined them and in your opinion do they  
14 correctly interpret and reflect the information  
15 available on this pool?

16 A It's just the way I believe in it.

17 MR. KELLAHIN: At this time I'd like to offer  
18 into evidence Exhibits 1 through 6, inclusive.

19 MR. PORTER: Without objection to exhibits they  
20 will be admitted. I believe at this time we will  
21 recess the hearing until 1:00 o'clock.

22 MR. PORTER: The hearing will come to order,  
23 please. At this time the witness is available for  
24 cross-examination. Mr. Hinkle, you look like you have  
25 some questions.

1 MR. HINKLE: Yes, I have quite a few.

2 CROSS-EXAMINATION

3 BY MR. HINKLE:

4 Q Mr. Norman, I'm a bit confused as to your testimony  
5 as to who prepared your exhibits 1 through 5.

6 A They were prepared by Coquina Oil Corporation.

7 Q Well, you didn't prepare them yourself?

8 A No, I did not.

9 Q Can you give us the name of the geologist who prepared  
10 them?

11 A Yes, Mark D. Wilson.

12 Q Mark D. Wilson?

13 A Yes.

14 Q Then your testimony concerning the exhibits is not of  
15 your own knowledge?

16 A I agree with this interpretation; it is an interpretation  
17 I have.

18 Q But how much research work have you done in order to  
19 come to an agreement with them?

20 A The research work I've done goes back to starting two  
21 or three years ago and even before that when I worked  
22 for another company and when I did a lot of work in  
23 this area in the Atoka-Penn pool and some in the West  
24 Atoka pool area in its initial development. In fact,  
25 from the discovery of this Mountain States well, I

1 followed development since that time.

2 Q But have you verified so that you can say that your  
3 testimony is your own testimony, every line on those  
4 plats and maps so that you're satisfied that they're  
5 correct?

6 A I'm satisfied with the interpretation.

7 Q Very well. Have you verified them?

8 MR. KELLAHIN: If the Commission please. I don't  
9 know what Mr. Hinkle means by verifying them. He has  
10 testified that he's examined them and he agrees with  
11 the information shown. Now, does he want him to say  
12 he checked it against the logs or what does he want?  
13 I don't understand what he's after.

14 MR. HINKLE: I don't think that he's shown that  
15 he is competent to give his testimony because he didn't  
16 prepare the plats; it's not his work. It's hearsay  
17 as far as he's concerned.

18 MR. KELLAHIN: Not hearsay, no.

19 THE WITNESS: I agree with this interpretation  
20 wholeheartedly. As a matter of fact, it's the inter-  
21 pretation that I've had in the initial outset of the  
22 West Atoka-Morrow Pool development. In fact, it agrees  
23 with my predictions quite well, I might add.

24 Q (By Mr. Hinkle) Well, before we go into it any further

25 I'd like to ask you two or three questions here concerning

1 it. I refer to your Exhibit 1. What control do you  
2 have for the so-called Hornbaker Channel above the  
3 lines between Sections 12 and 13 and Sections 7 and 18?  
4 A This is based on projection.  
5 Q Just projection, there's no well in that channel above  
6 that?  
7 A About 18 North, 13.  
8 Q Above Sections 13 and 18?  
9 A Yes, sir. I might add this is what geologists are  
10 paid for, to project from the known.  
11 Q You have that in a perfectly straight line. Now, the  
12 Hornbaker Channel geologically, I assume, it's probably  
13 an old riverbed; is that right?  
14 A Our interpretation is that channel appears to be an  
15 alluvial channel or riverbed, as you put it.  
16 Q In a straight line?  
17 A I've seen some straight alluvial channels, yes.  
18 Q Running for, that would be over two miles from the  
19 bottom of Section 13 and 18 clear up there for two  
20 miles. You might say you've got it about three miles.  
21 Let's see, one, two, three and a half miles in a  
22 perfectly straight line?  
23 A Yes, that's right.  
24 Q Wouldn't it be unusual if you found a channel that  
25 was exactly straight?

- 1 A This is an unusual channel. As a matter of fact, you  
2 have a pretty unusual situation over in this Atoka-Penn  
3 pool. If you'll notice next the Arnquist channel which  
4 is extended two and a half miles, at least. Of course,  
5 it's been projected on this map and you can't really --  
6 you can say it's at least 3, two and a half miles long  
7 in this Atoka-Penn pool. We've projected this Hornbaker  
8 Channel farther than that as it's a thicker channel and  
9 that may be the reason that it is a little longer than  
10 the other. It's older and deeper and more set in the  
11 ways as it had a source and it kept it for a longer  
12 period of time and packed up a lot of sand in that  
13 channel.
- 14 Q Can you say definitely there is not going to be any  
15 wells above Sections 13 and 18, that that channel may  
16 not bend over toward, into Section 12 and you might have  
17 a sand thickness in 12 much greater than the way you've  
18 got it projected?
- 19 A Sir, if you take a straight edge and line it up with  
20 this well control to the south which is pretty good,  
21 you can't bend it that way. I mean, you have to  
22 project it on to the north and I would not anticipate  
23 it bending. I'm not saying it won't, but I would not  
24 anticipate it making a big change in this direction.
- 25 Q So even though this is not your geology, in your opinion

1 it could bend, it could be different from what is  
2 shown here because you have no control above those  
3 section lines as I mentioned; is that right?

4 A I would not expect it to be, in my opinion, because  
5 if it swung in either direction, either right or left,  
6 east or west, it could have gone into one of the wells  
7 up to the north like the Coquina Superior Federal which  
8 it didn't; in other words, if it's swinging that way  
9 why wasn't it in this Coquina Superior No. 1? If it  
10 swings to the right considerably it could have been  
11 in the Fasken Armstrong No. 1 and we established both  
12 of those wells, at least to my way I feel about it, we  
13 established that those sands in those wells and the  
14 B zone were Beaches. They are Beaches. We are inter-  
15 preting them that way. So those two wells right there  
16 really give you a kind of -- you have to respect them  
17 and you're lined up pretty good until all of a sudden  
18 you shift. It takes a lot of imagination; I mean it's  
19 more imaginative to shift them than it would be to  
20 keep them straight like we have them.

21 Q Still, you've got a quarter of a mile above the Yates  
22 Vandiver in a straight line and a lot of things can  
23 happen in a quarter mile, geologically.

24 A This is true. This is one reason we're asking for  
25 the special location, the 330 from the south and east.

1 We are aware of what can happen sometimes to the  
2 permeability, and we don't wish to take that risk to  
3 drill the 660 location. We'd prefer to drill at the  
4 330 location.

5 Q Now, as a matter of fact, whenever you drill into the  
6 Morrow formation aren't you assuming considerable  
7 risk because of the very character of the formation,  
8 because your testimony was to the effect that you find  
9 areas that are cemented, like down here in Section 25  
10 where you have, you might say an impervious formation.

11 A I established there was some permeability at 620.

12 Q Well, but it was water and a little gas?

13 A Water and gas, yes.

14 Q But isn't it true that in the Morrow formation you  
15 can have a good-size well with a relatively thin section  
16 if you have the proper porosity and permeability; isn't  
17 that true?

18 A Yes, you can have thin sand; this is true.

19 Q So the thinness of sand does not always control?

20 A Not always, but in this particular case, in this  
21 channel we think it does control based on our interpre-  
22 tation.

23 Q Isn't that true in connection with the Mountain States  
24 Well in Section 19? It's making between 6 and 7 million  
25 feet of gas.

1 A Yes, sir.

2 Q And it had relatively thin sand?

3 A That's correct. This is why we're interpreting this  
4 particular well as hooked into the system of the  
5 Hornbaker Channel but being a tributary to that channel.  
6 In other words, it's -- as a matter of fact, if you  
7 don't mind I could show you on the exhibit here.

8 Q Okay.

9 A This interpretation here, on Exhibit 4, as we see  
10 the amount states the McCaw No. 1 perforated the lower  
11 sands equivalent to our Hornbaker Channel off to your  
12 left there. And notice over here this channel on the  
13 west side of it shows up in the Fasken Brown Yates  
14 No. 1 well. We believe this tributary channel came  
15 in there and is in pressure continuity with the major  
16 Hornbaker Channel system. So in effect that well is  
17 part of the system because it is hooked in.

18 Q Now, I believe you testified that you are familiar  
19 with the application filed by Coquina in this case;  
20 is that right?

21 A Yes, I did testify that.

22 Q Isn't it true that Coquina originally filed their  
23 application for the 660 location out of the south and  
24 east corner of Section 12?

25 MR. KELLAHIN: If the Commission please. It's

1 true that the application for a 660 location was filed.  
2 It was then amended to include the unorthodox location.

3 MR. HINKLE: He says he is familiar with the  
4 application; let him testify.

5 MR. KELLAHIN: It makes no difference; we're  
6 hearing the application as it was filed.

7 Q (By Mr. Hinkle) Isn't it true that Coquina requested  
8 all of the offset operators, owners of working interests  
9 there to waive their objections to an unorthodox location  
10 on a 660 location?

11 A There was a letter written to the operators.

12 MR. KELLAHIN: Do you know?

13 THE WITNESS: There was a letter written to  
14 them asking them for a waiver as to the 660 location.

15 Q (By Mr. Hinkle) Are you familiar with the letters  
16 that were written?

17 A No, sir. I did not read all the letters.

18 Q Well, you have seen the letters that are written by  
19 Mr. Clark of Coquina?

20 A I have seen them but I have not read all of them.

21 Q Are you familiar with the gentlemen's agreement that  
22 you might say was entered into by and between Coquina  
23 and all of the working interest owners in Sections  
24 7 and 12 and 13 and 18 to the effect that they would  
25 drill 660 locations?

- 1 A I'm familiar with the letter that was some kind of  
2 an agreement regarding the 660 locations, but I'm  
3 not thoroughly familiar with the contents of the  
4 letter.
- 5 Q Do you know that such an agreement did exist?
- 6 A Yes, sir. I knew there was some but it was --
- 7 Q And isn't it true that Coquina gave a waiver of the  
8 660 location to the Fasken well in Section 7 for  
9 approval and also to the Yates well in Section 18  
10 and also the Pennzoil well in Section 13?
- 11 A I can't for myself, I cannot answer your question that  
12 they gave it, but I'm assuming that they did.
- 13 Q Now is there any producing well in Sections 19, 24, 13,  
14 18 or 7 or 12 that is a 330 location to the section  
15 line?
- 16 A I don't see it. No, sir, there is not in there. There  
17 are none so far.
- 18 Q Isn't it true that all producing wells in those sections  
19 which I mentioned are 1320 or more, a greater distance  
20 apart; is that right?
- 21 A In those sections they are 1330 feet apart.
- 22 Q 1320 or more?
- 23 A I doubt it. I would have to -- I did not measure them.
- 24 Q The Pennzoil-Vandiver in Section 13 is a 660 location?
- 25 A Right.

- 1 Q So is the Yates, so there's better than 1320 between  
2 them?
- 3 A One of them is a little bit different position, north-  
4 west than the others so it would be just a little more  
5 than 320 between those two wells. True, they are both  
6 660 locations from the east and west lines. But the  
7 fact that they're shifted a little bit, that would be  
8 a little more. But for the most part those wells are  
9 1320 or more apart in Sections 13 and 18 and 24 and 19.
- 10 Q Now, after all of the offset operators had given  
11 waivers to Coquina to the drilling of unorthodox  
12 locations at 660 locations in Section 12, why did they  
13 change to a 330?
- 14 A The belief then that 660 is just not close enough.
- 15 Q Well, isn't it true that all you want to do is get  
16 a little closer to the good well that Yates brought  
17 in in Section 18?
- 18 A It's true we want to get closer to that thick sand,  
19 to the thick sand and get a high capacity well so that  
20 we can be competitive with this big well.
- 21 Q Now, what is the present status of the Fasken well  
22 which is now drilling at a 660 location in Section 7?
- 23 A 660 from the south and west line?
- 24 Q That's right.
- 25 A In Section 7. Well, I've been told -- I haven't been

1 out to see the well or anything -- but I've been  
2 told that it is drilling right now.

3 Q Isn't it approximately 6,000 feet deep?

4 A I could not answer that, sir.

5 Q Until that well is completed you won't know definitely  
6 whether or not the geology you have indicated here  
7 on your Exhibit 1 is correct; is that right?

8 A Even when it's completed, until we drill our well  
9 I won't know whether our geology in this 330 location  
10 is correct.

11 Q Well, it might turn out that that well would have a  
12 relatively thin section which would mean that you'd  
13 have a thick section probably over in Section 12?

14 A Not necessarily. If that were a thin well that means  
15 the channel is going in a slightly different direction,  
16 perhaps. It could veer over in that direction but I  
17 think I'd like to ask a question myself. What will  
18 Fasken's do if they get a well that's thin, is thin,  
19 are they going to propose the same situation we are  
20 proposing here, 330?

21 Q No, they haven't yet. They're going to carry out  
22 their agreement to drill at a 660 location.

23 MR. PORTER: What's the projected depth of the  
24 well that you propose?

25 THE WITNESS: 800 or 900 feet, 8800 feet.

1 MR. PORTER: 9,000.

2 Q (By Mr. Hinkle) If the 330 location were approved  
3 it would make your well within approximately 990  
4 feet of the Fasken well; is that correct?

5 A Approximately, a little bit more than that because  
6 of the angle between the two wells.

7 MR. HINKLE: I believe that's all the cross.

8 RECROSS-EXAMINATION

9 BY MR. PORTER:

10 Q Mr. Norman, do you think the outcome of the drilling  
11 of this well to the east offsetting your well would  
12 influence your location?

13 A It would have some influence on it, I can say this, yes.

14 MR. PORTER: Anyone else have a question?  
15 Mr. Nutter?

16 RECROSS-EXAMINATION

17 BY MR. NUTTER:

18 Q Mr. Norman, I notice that you've got a couple of wells  
19 that drilled into the channel but yet they didn't have  
20 the permeability.

21 A Yes.

22 Q And were not productive?

23 A Yes, sir.

24 Q What, in your opinion, is the controlling factor if  
25 you get into the channel? You're not necessarily

1 assured of getting a well. What is the controlling  
2 factor here?

3 A The controlling factor being the porosity and  
4 permeability which we think improves with thicker  
5 sand development.

6 Q Well, you had some wells that had as much as 45 or 50  
7 or more feet of channel development but they were  
8 tight.

9 A That's correct.

10 Q So what causes tightness in the channel?

11 A Cement in filling in these. This is a Diagenesis  
12 which is the cement base and is a very difficult thing  
13 to predict in the Morrow. This is one of the bugaboos  
14 in our profession. It's difficult to predict what  
15 sands are going to be permeable.

16 Q So even by moving to your 330 location here and  
17 getting over into the channel you're not assured you're  
18 going to get permeability and porosity?

19 A No, we're not absolutely assured but all the indications  
20 are that we will because anything that had over 70 feet  
21 of sand here had very good porosity and permeability.

22 Q Okay. Now moving east I think I understand your  
23 thinking is that you would improve your position by  
24 getting into the channel. I don't understand why you  
25 also moved 330 south.

1 A Well, it is closer to control to the south and  
2 production to the south.

3 Q It's also moving closer to the big well.

4 A Yes, it is.

5 Q So you're not only attempting to get into the channel  
6 but you're also moving towards the good well, big well?

7 A Yes.

8 Q Thank you.

9 RECROSS-EXAMINATION

10 BY MR. PORTER:

11 Q Mr. Norman, you gave some testimony on estimated  
12 reserves in the pool. I believe you gave a figure  
13 of 40 billion.

14 A Yes, sir.

15 Q Whose calculations are those?

16 A These are reported to me and the source of this data  
17 has not been checked out completely by me. But this  
18 is what has been banded around.

19 Q What is that based on?

20 A This is based on pressure and production. In other  
21 words, the drop in pressure -- as a matter of fact,  
22 I mentioned earlier that one of the latest pressures  
23 reported was 3,010 pounds and the original pressure  
24 I said was 36, I believe that 's probably more like  
25 3700 pounds. In other words, approximately a sixth of

1 the pressure has been dropped and will be lost in this  
2 vicinity of these high producing wells.

3 Q Your reserve estimates are at best a rough estimate?

4 A Yes. I think it's very difficult for anybody, any  
5 engineer, very qualified engineer. I'm not a qualified  
6 engineer on estimate reserves. I state that at the  
7 beginning, but the reserves cannot be truly calculated  
8 right now because this is still in the development stage  
9 of pressure gradients in here. In fact, when you shut-in  
10 your well you're feeling the results to calculate reserves  
11 based on pressures. You're feeling the results of wells  
12 around you and you can't come out with an accurate  
13 production. I mean, reserve data. And I think that really  
14 this isn't so much the problem. As far as the amount of  
15 reserves go it's the fact that we want to get our reserves  
16 our share of the reserves and the best way we can, we  
17 believe can do this is to get near the thick part of the  
18 channel.

19 Q Mr. Nutter indicated here, I believe, that there is a  
20 great variation in porosity.

21 A Yes. I'd like on that question that Mr. Nutter had,  
22 there is a well down there in Section 24 that's interesting.  
23 It's the Fasken Brown Yates well which is the second well.  
24 That's the well that's been their productive life, during  
25 its productive life a little over 10 million a day. It's

- 1 a very good well. This well had out of 50 feet of gross  
2 sand which is very near the thickness of this Pennzoil  
3 area, had practically no sub-commercial making a million  
4 a day. That Fasken Brown Yates had 16 feet of net pay  
5 and, as I said, it had sustained production rate of  
6 10 million a day. Which means you can be in this  
7 relatively thin side of the reef, I mean the channel,  
8 and you can come up with good wells. But so far the  
9 odds have been that there are more good wells in the  
10 thickest part of the sand.
- 11 Q With extreme variation of porosity wouldn't you have  
12 a difficult time estimating reserves with any degree  
13 of accuracy?
- 14 A I rather defy anybody to estimate all the reserves in  
15 this pool here that we are dealing with because  
16 volumetrically it's difficult to figure. Pressure-wise  
17 it's difficult to figure.
- 18 Q I believe there was an indication of the results showing  
19 quite a variation of permeability.
- 20 A Yes, sir.
- 21 Q Well, what indication do you have that the bigger wells  
22 are having much effect on some of the smaller wells as  
23 far as drainage is concerned? It's permeability between  
24 these wells pinches out completion in some instances?
- 25 A I rather doubt it but this system appears to be all one

1 system. The pressures are dropping in the field with  
2 time.

3 Q Uniformly, would you say they were dropping uniformly?

4 A I can't say that because I'm not qualified. I haven't  
5 really gone into the data in that detail.

6 Q I see.

7 A My guess is that this channel here, as you go up or down  
8 it or north or south in it, these porosity zones are  
9 interconnected fairly well but they're going up and down  
10 in the vertical section and probably there's fracturing  
11 that is connecting it up to some degree in that channel.  
12 But what's really made it difficult for the scientists  
13 in here is this change in permeability and porosity that  
14 sometimes seems willy-nilly, but we have to go on  
15 experience we've seen in this channel. And experience is  
16 that the thicker the sand the better the porosity we  
17 get and the better permeability we have.

18 MR. PORTER: Anyone else have a question?

19 RE-CROSS-EXAMINATION

20 BY MR. STAMETS:

21 Q Mr. Norman, I notice on your Exhibit 1 in the northeast  
22 quarter of Section 25, 18, 25, where there is a  
23 considerable amount of control the contour lines swing  
24 rather rapidly between close wells and it could be if  
25 you had even more control you could swing these more.

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1 This would indicate at least in this area the channel  
2 is not absolutely straight.

3 A Yes, sir. These holes that we're using as data,  
4 Mr. Stamets. We feel like they're placed in the right  
5 spot here on this map here because they were spaced  
6 by deviation survey and there is a variation sighted  
7 here with I'll have to assume changes to some degree  
8 the channel direction there.

9 Q If you wished to, I assume that you could draw this  
10 same map and put some nice, smooth curves in there.  
11 This would not be impossible with the spacing that you  
12 have and the information that you have.

13 A Let me answer that with this: A geologist is depending  
14 on his imagination considerably. Now, I like to  
15 recognize myself sometimes as an engineering geologist  
16 on contouring. Even though I didn't put these contours  
17 here, but I'd rather go on the basis of what I can see  
18 here and use straight lines rather than crooked lines,  
19 not try to over-emphasize if there is any crookedness  
20 here. I'd rather leave that part of imagination out.  
21 I think we've shown a very fair presentation here for  
22 everyone, including ourselves, naturally, without putting  
23 these big wells in because, you know, you can look at  
24 this channel here and you can imagine that system however  
25 high capacity wells are just on the very edge of a loop.

1 If this river does have loops as you seem to indicate  
2 and the question was asked of me earlier whether I  
3 believe it has any loops and I see the data right now.  
4 It has very few. It's a fairly straight channel; this  
5 merely is unusual, but it does occur.

6 Q If I interpret your answer properly you're saying yes,  
7 you do but you don't choose to in this case?

8 A That's pretty fair for all that.

9 MR. PORTER: Any further questions? Mr. Nutter?

10 RECROSS-EXAMINATION

11 BY MR. NUTTER:

12 Q Mr. Norman, immediately east of this area we have the  
13 Atoka-Penn Pool. I assume there's a separation that  
14 comes down between the Atoka-Penn Pool and this West  
15 Atoka Pool; is that correct?

16 A A separation in what sense, sir?

17 Q Some kind of permeable pinch-out and something that  
18 separates the West Atoka from the Atoka-Penn.

19 A It's a shale-out.

20 Q Which would run northeast and southwest?

21 A In between those two systems.

22 Q Then how many wells do they have on this West Atoka  
23 Pool which are presently producing from the Morrow?

24 A In the West Atoka?

25 Q Yes.

- 1 A You're talking about high capacity wells?
- 2 Q No, I'm just talking about gas wells that are producing.
- 3 A Gas wells, let's see. Let me just count them for you
- 4 here again. One, two, three, four, five, six, seven.
- 5 Q Was the Pennzoil-Vandiver still producing after they
- 6 drilled their second well there?
- 7 A I've been told that's been plugged.
- 8 Q So you have about seven wells producing?
- 9 A Yes and one of those is non-commercial.
- 10 Q And are these all connected to the pipe line at the
- 11 present time?
- 12 A No, Hooker is not connected, to my knowledge right now.
- 13 Q Who runs that, Brunson & McKnight?
- 14 A Yes, sir.
- 15 Q Are all of these connected to the same pipe line?
- 16 A We are saying this; we believe that these are.
- 17 Q To the same pipe line?
- 18 A Excuse me. I was thinking of the system there.
- 19 Q No, I see you've got a pipe line that runs down the
- 20 section there. I didn't mean that pipe line.
- 21 A To my knowledge, I really don't know. Most of them
- 22 connect up to Transwestern. This Coquina Superior
- 23 Federal, as I understand, that is connected to another
- 24 pipe line, natural gas pipe line. So it would be
- 25 eventually connected up outside of it. Transwestern

1 would be another pipe line.

2 Q In the event the Commission should approve your application  
3 to drill at a 330, 330 location would Coquina be willing  
4 to take a directional survey to establish that the bottom  
5 of the hole is not closer than 330 feet from the south  
6 or east lines of the section?

7 A Yes, sir.

8 Q Thank you.

9 MR. PORTER: Further questions?

10 MR. KELLAHIN: I'd like to ask just one, if I may.

11 REDIRECT EXAMINATION

12 BY MR. KELLAHIN:

13 Q Mr. Norman, how far is your proposed location from the  
14 Yates well?

15 A It's a little over 1800 feet.

16 Q Thank you.

17 MR. KELLAHIN: Thank you, that is all I have.

18 MR. PORTER: If there are no further questions  
19 the witness may be excused. Mr. Hinkle?

20 MR. HINKLE: We have two witnesses, call Roy Beck  
21 first.

22 MR. PORTER: The record will show that he was  
23 sworn earlier.

24 \*\*\*\*\*

25

1 ROY BECK,

2 a witness, having been previously duly sworn according  
3 to law, upon his oath testified as follows:

4 DIRECT EXAMINATION

5 BY MR. HINKLE:

6 Q State your name and your residence and by whom you are  
7 employed.

8 A My name is Roy H. Beck. I live in Artesia, New Mexico,  
9 and I'm employed by Yates Petroleum Corporation.

10 Q In what capacity?

11 A Geologist.

12 MR. PORTER: B-e-c-k?

13 THE WITNESS: Yes.

14 Q (By Mr. Hinkle) Have you previously testified before  
15 the Commission?

16 A Yes, sir.

17 Q Your qualifications as a petroleum geologist are a matter  
18 of record with the Commission?

19 A Yes, sir.

20 Q Have you made a study of the area which is in question  
21 here today?

22 A Yes, sir.

23 Q A geological study?

24 A Yes, sir.

25 Q Have you prepared the exhibit which is marked Protestant's

1 Exhibit 1?

2 A Yes, sir.

3 Q And in connection with the preparation of this Exhibit  
4 did you make a detailed study of all of the logs of  
5 wells and all of the information geologically that was  
6 available for this area?

7 A Yes, sir.

8 Q Refer to this Exhibit and explain what it shows.

9 A These solid lines are Isopach contours on the main  
10 channel sand, referred to earlier as the Hornbaker  
11 Channel. The dash-lines refer to stratigraphically  
12 equivalent sands some of which may be more or less  
13 connected to a limited extent with the channel sands.  
14 The dotted-lines are the structural contours and 100  
15 contour-foot contours shows the general structure. Also  
16 indicated in red there are the wells that we believe are  
17 in the Atoka West pool and they're ones that have the  
18 gas marked inside the circle producing in the Morrow  
19 from one pool or the other and the ones who have the  
20 gas spikes on the outside are producing from the  
21 reservoirs other than the Morrow.

22 Q You have also shown on this plat the original 660 location  
23 of Coquina in Section 12 and their 330 location is  
24 approved by the Commission?

25 A Yes, those are indicated.

- 1 Q Also shown is the location of the Fasken Vandiver well,  
2 660 from the west and south lines of Section 7?  
3 A Yes, sir.  
4 Q What is the present status of that well?  
5 A The Fasken Vandiver well is approximately, depth of  
6 6,000 feet and they're only about 14 days away from  
7 setting pipe and completion if they make a well here.  
8 Q Do you have any control for the lines which you have  
9 drawn extending this channel to the north above the  
10 section line, north section lines of 13 and 18?  
11 A No, sir, there is no control.  
12 Q This is simply a projection of those lines?  
13 A It's just a simple projection as indicated in the  
14 southern end of the channel where it's been pointed out  
15 there is no control. There is a certain mild sinuosity.  
16 Now this same sinuosity may exist in Sections 12 or 7  
17 but we do not know which way it will bend.  
18 Q Is it quite possible that it could bend either to the  
19 east or the west?  
20 A Yes, sir.  
21 Q And that is often the case with channels of that nature;  
22 is it not?  
23 A Yes, sir.  
24 Q It is indicated where we have control that can be seen  
25 and would seem to be true so that it could go over or the

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1 channel would be in 12 and 7 when you got up that  
2 high; could it not?

3 A That is not impossible.

4 Q It has been brought out by the testimony here that  
5 the thickness of the Morrow sand does not always  
6 indicate the type of well which you would get. What is  
7 your opinion with respect to this?

8 A Well, the data indicates that thin Morrow sands can have  
9 good permeability and porosity, even more than thicker  
10 sections. Now, the way we correlate the wells is that  
11 we put the Mountain States McCaw --

12 Q Now that's in Section 19?

13 A 1650 from the north and west of Section 19. We correlate  
14 that in with the Hornbaker Channel as that has been  
15 tested and it has 16 feet.

16 Q That's 16 feet of pay sand?

17 A Yes, sir. Now, it is a good well. The reported pay  
18 is 7 to 10 million cubic feet per day from that well.

19 Down in Section 25, of 18, 25, we have wells down  
20 there with 59 feet and 52 feet of channel sand, much  
21 more than the McCaw well. Yet these wells were cemented  
22 up very tightly. We made numerous drill tests on these  
23 wells and we are fully satisfied that they are cemented  
24 up very tightly. Also the Fasken well, 18, 25, 660 from  
25 the east and 1980 from the north had 45 feet and it was

1 also tight, with 45 feet or more than 16 feet.

2 MR. NUTTER: Which well was that?

3 THE WITNESS: This was the well in Section 25 of  
4 18, 25. It's the well that's 660 from the east and  
5 1980 from the north. It's the original straight hole,  
6 the Hornbaker sidetracked.

7 MR. NUTTER: I see.

8 Q (By Mr. Hinkle) That was a dry hole?

9 A This was a dry hole.

10 Q Well, how does the Mountain States well in Section 19  
11 compare with the Pennzoil well in Section 13?

12 A Well, I correlate in 16 foot and the Mountain States  
13 McCaw was 28 feet, the Pennzoil-Vandiver -- I notice  
14 that Mr. Norman has, or whoever did the geology, has  
15 50 feet for the Pennzoil-Vandiver, even more than I do.  
16 So then the indication would be that they would have  
17 approximately that same amount at the 660 location.  
18 Other wells in the field with 50 feet or even 21 feet  
19 have been shown to be very productive wells, very good  
20 wells.

21 Q The Fasken well in Section 24 is a real good well; is  
22 it not?

23 A Yes, sir.

24 Q And that is, you'd say, on the west side of the so-called  
25 channel?

1 A Yes, sir.

2 Q Do you have any further comments with respect to this

3 plat?

4 A No, I believe I do not, sir.

5 Q What control did you have for the Mountain States well

6 in Section 19? Refer to Applicant's Exhibit 1 and the

7 Mountain States well in Section 19.

8 A Yes, sir.

9 Q What does that show they had for control to apply it in

10 the channel?

11 A Well, this work done by Coquina shows a separate channel

12 which would, I believe Mr. Norman referred to it as

13 a tributary, and they only have one control point to

14 establish that. I will admit that in earlier days that

15 I also had a similar interpretation but since the

16 drilling of the C & K and the Yates Vandiver CN, it

17 changed my interpretation. I believe now that the

18 Mountain States is part of the main channel.

19 Q Do you have any further comments with respect to

20 Applicant's Exhibit 1?

21 A No, sir, I do not.

22 Q Do you have any comments with respect to their other

23 Exhibits, 2, 3, 4 and 5?

24 A I would not necessarily agree with all their other

25 calculations but then correlation is like scripture, you

1 can interpret them either way you want.

2 MR. HINKLE: That's all the direct. I'd like  
3 to offer Exhibit 1.

4 MR. PORTER: Without objection it will be admitted.  
5 Mr. Kellahin?

6 CROSS-EXAMINATION

7 BY MR. KELLAHIN:

8 Q Mr. Beck, you work for Yates Petroleum Corporation?

9 A Yes, sir.

10 Q How long have you been working for them?

11 A Almost two years.

12 Q Are you familiar with this so-called gentlemen's  
13 agreement with regard to the 660 foot locations  
14 Mr. Hinkle was referring to?

15 A I believe that Mr. Peyton Yates might comment on this  
16 a little bit more later. But it is my understanding  
17 that there was an agreement between all the operators  
18 in these four sections which eluded that we would not  
19 protest each other's 660 location.

20 Q It only effected the four sections ?

21 A I am not too clear on those details. Those are land  
22 department details.

23 Q When was this agreement reached?

24 A I would rather have Mr. Yates answer.

25 MR. HINKLE: Mr. Yates will testify to that.

1 MR. KELLAHIN: I want to ask this witness if  
2 he knows.

3 Q (By Mr. Kellahin) Would you know when the agreement  
4 was reached?

5 A I do not know when the agreement was reached.

6 MR. PORTER: I don't believe he testified on that  
7 either, Mr. Kellahin, on direct examination.

8 MR. KELLAHIN: I have a right to cross-examination  
9 on the basis of his Exhibit and that's what I'm leading  
10 up to, Mr. Porter.

11 MR. PORTER: On the basis of what?

12 MR. KELLAHIN: His Exhibit 1 and that's what  
13 I've been leading up to.

14 Q (By Mr. Kellahin) Now, in Section 25, your Fasken Yates  
15 Hornbaker well was sidetracked; was it not?

16 A The Fasken Yates Hornbaker No. 1 was sidetracked, yes.

17 Q How far is it from the east and north?

18 A The original straight hole was located 660 from the  
19 east and 1980 from the north.

20 Q How was that deviated?

21 A To my knowledge it was deviated 321 feet almost due  
22 east.

23 Q So that put it approximately 310 feet from the east  
24 line of the section?

25 A Something in that neighborhood.

- 1 Q When was it completed?
- 2 A The original well was drilled in April -- completed in
- 3 April of '72; and the other would have been somewhat a
- 4 couple, maybe a month later or something, maybe May of
- 5 '72, somewhere in there.
- 6 Q Now, your Kincaid well was also deviated; was it not?
- 7 A The Kincaid BI well was deviated, yes.
- 8 Q And it is not bottomed at a 660 location; is it?
- 9 A No, sir.
- 10 Q What is its location?
- 11 A 480 from the north and 400 from the east, I believe.
- 12 Q Now, did you find any indication of Beach sands as
- 13 testified to by Mr. Norman?
- 14 A Do I find indications?
- 15 Q Of the Beach sands to which he testified.
- 16 A There are Beach sands.
- 17 Q How far south do they extend?
- 18 A Well, I believe that in all these wells such as the
- 19 Coquina Hoffman, Coquina Clancy, the Pennzoil-Vandiver,
- 20 the Coquina 5 Mile, the Pennzoil-Vandiver, the Reading &
- 21 Bates, the Fasken Brown Yates and the Fundamental Thorpe
- 22 all contain Beach sands, quote, unquote. In the Hornbaker
- 23 Channel that may be or may not be connected or ones that
- 24 are connected would be connected to a limited extent. I
- 25 think the pressure data and the production bears this out.

- 1 Q But all of the good wells are completed in what is  
2 referred to as the Channel?
- 3 A Yes, sir.
- 4 Q Isn't that correct?
- 5 A Yes, sir.
- 6 Q Do you find any really good completion in this pool  
7 anywhere else but in the channel?
- 8 A Well, it depends on how you define good, but I would  
9 say that the better wells are in the channel.
- 10 Q You placed the Fasken Brown Yates well well inside the  
11 channel; have you not?
- 12 A I give it 51 feet of thickness, yes, sir.
- 13 Q And that is a good producing well?
- 14 A Yes, sir.
- 15 Q About 10 million a day?
- 16 A Yes, sir.
- 17 Q What about the Fasken Pennzoil Number 13 well?
- 18 A The Fasken Pennzoil Number 13, the way I interpret it,  
19 has a thin, shoreline sand that is possibly in a limited  
20 fashion connected in with the channel. I do not think  
21 the Fasken Pennzoil is in the channel per se.
- 22 Q If it's producing then you say it's producing through  
23 stringers to the channel?
- 24 A Some of the producing really may be from the stringers  
25 to the channel, yes.

- 1 Q How about the Pennzoil-Vandiver No. 2?
- 2 A It's producing from the Channel.
- 3 Q And it's right at the extreme edge of the channel?
- 4 A Yes, sir. It's near the edge.
- 5 Q Do you know what its production is?
- 6 A I believe it had a calculated absolute open flow of
- 7 over a million, somewhat over a million.
- 8 Q Is that commercial barrels?
- 9 A I believe it's commercial.
- 10 Q You give the Pennzoil-Vandiver No. 2 what, approximately
- 11 20 feet of gross thickness; is that correct?
- 12 A I give it 21 feet, sir.
- 13 Q Pardon?
- 14 A 21 feet.
- 15 Q 21 feet. Looks like a 21-foot contour.
- 16 A You can see that the notation to the right-hand side
- 17 there gives the 21. You draw a line there about as
- 18 close as you can.
- 19 Q I see. I was taking that as being the thickness of
- 20 that contour. What did you say that actually shows?
- 21 A Correlations with the Yates-Vandiver and the C & K
- 22 Vandiver No. 1.
- 23 Q Based on examination of the logs?
- 24 A Plus pressure information.
- 25 Q What has pressure information got to do with its thickness?

1 A Where they have perforated in and where they have  
2 taken measurements it shows that the measurements of the  
3 pressure are about the same as the completed or brought  
4 down pressure of the whole reservoir sand.

5 Q And you say the brought-down pressure. What do you mean  
6 by that?

7 A Well, the original well that really got into it, the  
8 Mountain States McCaw had an original pressure of 3600  
9 pounds. By the time Pennzoil-Vandiver was drilled and  
10 complete the pressure was something in the neighborhood  
11 of 3,010 which matched up with other bottom-hole pressures  
12 that would be taken at a later date from wells already  
13 established in the pool such as the Fasken Brown Yates.

14 Q Now, the Pennzoil-Vandiver No. 2 was drilled before the  
15 Yates Vandiver CN?

16 A Yes, it was.

17 Q So that well didn't drain the Pennzoil well; did it?  
18 The Yates Vandiver CN did not cause the pressure to  
19 drop?

20 A No, sir, it did not.

21 Q Which one did then?

22 A Well, the pressure drop down was caused originally by  
23 the Mountain States and then the Fasken Brown Yates  
24 was drilled not too much later and they had pressures  
25 of 3509, I believe. And production continued and by the

1 time the C & K Vandiver well was drilled the pressure  
2 had been drawn down to, I think, 3,010 pounds, that's  
3 where I got 3,010. And then the Pennzoil-Vandiver was  
4 drilled and the pressure had been brought down even  
5 lower than that by that time. The only point I'm  
6 trying to make here is that geologically you can correlate  
7 these things. You get a certain problem whenever you  
8 put pressure of this kind in before.

9 Q You do have pressure communication throughout the whole  
10 area shown in your exhibit here; do you not?

11 A I would say I would not.

12 Q An extension of it?

13 A I would not go along with that. I would say that the  
14 Mountain States McCaw, C & K Vandiver, Yates-Vandiver,  
15 and the Pennzoil-Vandiver have more uniform communication  
16 than do the Fasken Pennzoil 13 and the Pennzoil-Vandiver.

17 Q Well, don't you agree that the Yates Vandiver CN, the  
18 Pennzoil-Vandiver and the C & K Vandiver could be  
19 draining areas in Section 7 and 12?

20 A It's possible, yes, sir.

21 MR. KELLAHIN: That's all I have. Thank you,  
22 Mr. Beck.

23 MR. PORTER: Further questions of Mr. Beck?

24 MR. STAMETS: Yes, sir.

25 \*\*\*\*\*

RE CROSS-EXAMINATION

BY MR. STAMETS:

Q If I ask you to, do you suppose that you can draw these isopachs on here so as to leave the southwest part of Section 12 so that the locations are completely out of the channel and still do a credible job with the geology?

A I think it would probably cause a sinuosity that might not be there. It might be kind of away from what I would suspect to be right.

Q Could you go the other way and draw the channel running right through the center of the southeast quarter of Section 12?

A That also would be difficult to do, in all fairness.

Q So you are also of the opinion that this is a relatively straight channel?

A I would say that it is straight to having a mild sinuosity.

Q How about down in the northeast quarter of Section 25, is that a mild sinuosity?

A I think that's fairly mild, to my eye.

Q Where we go an eighth of a mile and there it makes a right-hand turn between the sidetracked hole and the Kincaid BI No. 2?

A Yes. Well, I don't know. That looks fairly mild to me, but maybe it isn't to you.

1 MR. STAMETS: No further questions.

2 MR. PORTER: Any further questions? Clarence, do  
3 you have anymore?

4 MR. HINKLE: I had one here awhile ago; I guess  
5 that's all.

6 MR. PORTER: The witness may be excused. Call  
7 your next witness, please.

8 MR. HINKLE: I call Mr. Yates.

9 \*\*\*\*\*

10 PEYTON YATES,

11 a witness, having been previously duly sworn according  
12 to law, upon his oath testified as follows:

13 DIRECT EXAMINATION

14 BY MR. HINKLE:

15 Q State your name and your address and by whom you are  
16 employed.

17 A My name is Peyton Yates; I live in Artesia, New Mexico,  
18 and I'm employed by Yates Petroleum.

19 Q In what position?

20 A Engineer.

21 Q How long have you been with Yates Petroleum?

22 A Three years.

23 Q Have you previously testified before the Commission?

24 A Yes, sir.

25 Q Your qualifications as a Petroleum Engineer are a matter

1 of record with the Commission?

2 A Yes, sir.

3 MR. HINKLE: Are the qualifications acceptable?

4 MR. PORTER: Yes, sir.

5 Q (By Mr. Hinkle) Have you made a study of this area  
6 which is in question involved in this application?

7 A Yes, sir.

8 Q Did you prepare Exhibit 2?

9 A Yes, sir.

10 Q Would you refer to it and explain what it shows?

11 A Yes, sir. Basically this is a very simple exhibit. The  
12 purpose of which is to show the distances between  
13 existing wells in the Atoka field.

14 If we can start at the top of the map in Sections  
15 12 and 7 we have tried to show the shortest distance  
16 between one well and the nearest well of this particular  
17 well in the pertinent area of the channel. In Sections  
18 12 and 7 we see the two Coquina wells proposed in  
19 Section 12. We also see in Section 7 the Faskens location  
20 that is presently drilling and has been mentioned as  
21 a depth of 6000 feet as of yesterday morning and will be  
22 down in a couple of weeks. As can be seen, the proposed  
23 660 location of the Coquina in Section 12 is 1320 feet  
24 away from the presently drilling Fasken well. The  
25 proposed 330 location would be 1,040 feet away from the

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1 Faskens well as presently drilling. As we come down  
2 into the area of the presently producing wells in  
3 Sections 13 and 18 we can see that there are two  
4 unorthodox locations in the north half of 13 and the  
5 north half of 18, respectively, which are 660 locations  
6 away from their nearest lease or the nearest section  
7 line. Because of the 1650 distance from the north section  
8 of the Yates well which is in the north half of Section  
9 18 the distance between the two is slightly over 1320  
10 feet; it works out about 1330 feet. If we come down to  
11 the south half of Section 18 and the south half of  
12 Section 13 we can see that the nearest well to the well  
13 in the south half of Section 18 which is the C & K  
14 Vandiver well is 2640 feet away from this well, the  
15 Yates Petroleum well which is in the north half of 18.  
16 Again, these are the nearest producing wells.

17 In the south half of 13 you can see the Fasken  
18 Pennzoil 13 No. 1 and it is 2650 feet away from the  
19 nearest producing well. We come down into Sections 24  
20 and 19. Again, referring to wells that are in the  
21 channel and as you can see in the well that's in the  
22 west half of Section 19 which is the Mountain States  
23 well is such an obvious distance, again around 2600 feet  
24 from the adjacent wells, that we didn't even draw it  
25 in there. When you go down into Section 24 there are

1 two wells that have been drilled in the south half of  
2 Section 24 -- the spacing by the way, is East half, West  
3 half -- one of which was dry, the Reading & Bates Linck  
4 well in the west half and then the producing well, the  
5 Fasken Brown Yates in the east half. Those two wells  
6 are 2320 feet apart. We come down now to Section 25  
7 which may set a record in the State of New Mexico for  
8 the number of dry holes, Morrow dry holes in one half  
9 of the section and for money spent.

10 Q No production in 25 or 30?

11 A Neither. There is no production in 25 or the west half  
12 of 30, sir. The production in the east half of 30 has  
13 been proven by previous testimony to be a part of the  
14 original Atoka-Penn pool and is not pressure-connected  
15 in any way to the Atoka Morrow West pool.

16 MR. NUTTER: Does that also hold true of the  
17 southeast of 19?

18 THE WITNESS: Yes, sir.

19 A This was back when I believe it was Fasken's drilled and  
20 asked for a new pool designation which we failed to  
21 produce. This is the Fasken Brown Yates well. Now, the  
22 pertinent thing in Section 25 concerns the whipstocked  
23 and unorthodox locations in Section 25. Again, we can  
24 note that the Brown Yates was in existence and was  
25 producing at the time these wells were drilled in the

1 north half of 25. The nearest distance to either of  
2 the approved locations or the bottom-hole locations which  
3 were not necessarily approved by the Commission is 2300  
4 feet or 2150 feet. Again, a considerable distance to  
5 the nearest producing well.

6 Q Now, did the offset owner in Section 30 consent to or  
7 agree in any way to the drilling and whipstocking of those  
8 wells which are drilled in 25?

9 A If I may cover briefly the history of the development  
10 of the wells or the drilling wells in Section 25. In  
11 doing so I will answer your question. The initial well  
12 was drilled in April of '71 which is in the northwest  
13 quarter. This was the Fasken Yates Federal 1, 25, I  
14 believe, and was a dry hole. Then Mr. Fasken came over  
15 and drilled his well which, if you will refer to our  
16 geological Exhibit 1, is the Fasken Yates Hornbaker. He  
17 drilled the westernmost location which was an unorthodox  
18 location at the time and at that time, as has been pointed  
19 out in previous testimony, he then, after receiving a  
20 sand thickness of over 50 feet, he then up and whipstocked  
21 on the east and attempted to establish production to the  
22 east. He failed in doing so. He tested and he got in  
23 the channel, of course, of over a 100 feet of channel  
24 but it proved to be a combination of water and gas and  
25 he did not complete the well, did not attempt to complete

1 the well. May I point out that this location,  
2 whipstocked location was never approved. It was a dry  
3 hole and it was never approved as an unorthodox location.  
4 Then unfortunately we got into the act and thought we  
5 could do better. We then went to the Commission and  
6 requested an unorthodox location to be drilled in the  
7 north half of 25. The target at the time we asked, we  
8 contacted Marathon which is the interest holder of the  
9 lease and has a lease in the northwest quarter.

10 Q Of Section 30?

11 A Of Section 30, yes. And there was no objection from  
12 Marathon to our attempting to do this. In fact, when  
13 he went to the hearing and requested an unorthodox  
14 location in the north half of 25 there was no dissent  
15 whatsoever. There was no opposition to that location  
16 as the record will show. In fact, I think the order  
17 even lists this. I may, if it would be pertinent, I  
18 could give the order number, Order R-4391.

19 Now, the location approved was 500 feet from the  
20 north line and 600 feet from the east line. This location  
21 again was over 2,000 feet away from the nearest producing  
22 well. We first of all attempted to reenter the Fasken  
23 Hornbaker No. 1, this dry hole. We failed; it did not  
24 work. We then tried at a location of 600 feet from the  
25 north line and 620 from the east line. We had to avoid

1 the Penasco River Bed. We drilled a straight up top to  
2 bottom hole and hit 50 feet of channel and got the big  
3 idea that again, why don't we go and continue with the  
4 whipstocking towards our target which have been approved  
5 by the Commission. We failed to reach our target. As  
6 has been stated by Mr. Beck our whipstocking was 480 feet  
7 from the north line and 400 feet from the east line. It  
8 was a dry hole.

9 For some reason we were so much in love with the  
10 whole thing we felt we should run in and attempt to  
11 complete it but it was an absolutely worthless effort.  
12 Subsequently, the well has been plugged and abandoned.  
13 I would like to point out that the 480 from the north  
14 line and 400 feet from the east line was not within the  
15 target area set out by the Commission and that that  
16 location was never approved by the Commission and that  
17 if we had established production we would have had to  
18 come back and request a rehearing and possibly face some  
19 dissent with that particular location. Again, though  
20 we did not bottom that location we did bottom-up 2150  
21 feet away from the nearest producing well. That explains  
22 this very complicated story, the history of what has  
23 happened in the north half of 25.

24 Q Do you know whether or not there had been any agreement  
25 entered into or understanding, a gentlemen's agreement

- 1 between the working interest owners in Sections 7, 12,  
2 13, and 18, as to the drilling of unorthodox locations?
- 3 A Yes, sir, I do.
- 4 Q What was that agreement?
- 5 A The agreement was that we would not oppose -- the Yates  
6 Petroleum Corporation would not oppose, not only Yates  
7 but all the other operators involved in Sections 7, 12,  
8 13 and 18, would not oppose a 660 location in Section 12,  
9 660 location in Sections 7, and by that I mean 660 from  
10 the south and 660 from the north and then 660 from each  
11 respective section line. And in return Yates would not  
12 and the other operators who were expected to go drill,  
13 for example, Pennzoil-Vandiver No. 2 in the northeast  
14 quarter of Section 13, would not receive opposition for  
15 its 660 location and Yates would not receive opposition  
16 for its 660 location on the west line.
- 17 Q Now, who were the other parties involved besides Yates  
18 that are working interest owners in those sections?
- 19 A Mr. Hinkle, the other parties involved were C & K  
20 Petroleum, American Trading, Suburban Propane, Pennzoil,  
21 United, I believe it's called, Waynco which also had  
22 an interest in Section 13 and Coquina Corporation.
- 23 Q What about Fasken?
- 24 A Mr. Fasken at the time had not obtained a format from  
25 Yates in Section 7. Mr. Fasken then farmed-out and

1 assumed the obligation that Yates had.

2 I'd like to point out that this matter is not  
3 clear and straightforward, but that Coquina at the  
4 time -- what happened is the historic perspective, is  
5 that Yates was about to propose its location and actually  
6 go to the Commission for a 660 -- or C & K Petroleum,  
7 I beg your pardon -- in the south half of 18. Pennzoil  
8 wanted to go for a 660 and Yates, we felt at the time  
9 that we probably wanted to do so. We initiated the  
10 action and we talked this over with the representatives  
11 of Coquina in Artesia and explained to them what we  
12 wanted to do, get a 660 and everybody was going to  
13 agree that we would not oppose 660 locations.

14 so we said, "Okay. Let's everybody write a  
15 letter specifying that idea," and this was what was done.  
16 All the parties, in order to receive no opposition to  
17 a 660 location, all the parties in the other sections,  
18 Sections 7, 18 and 13, then sent a waiver to Coquina,  
19 waiving objection to its 660 location and this is what  
20 we were sticking by. At the time there was no mention  
21 whatsoever of a 330 location; there was no conception  
22 that someone would try to better themselves by coming  
23 so close to another party's section.

24 Q I hand you what has been marked Protestant's Exhibit 3.  
25 What is this Exhibit?

- 1 A Sir, this is a letter from Coquina dated March 20, 1973,  
2 which advised Yates Petroleum Corporation "that we have  
3 no objections to your proposed unorthodox location 1650  
4 feet from the north line and 660 feet from the west line  
5 Section 18, Township 18 South, Range 26 East, Eddy County,  
6 New Mexico." It is signed by Tracy P. Clark of Coquina.
- 7 Q I hand you what has been marked Exhibit 4 and ask you  
8 what that is.
- 9 A This is a return letter, well actually you will note  
10 it's dated also March 20, which confirmed the fact that  
11 all this was said on the telephone and just wrote those  
12 letters the same day in which Yates Petroleum then waives  
13 objection to locations in Section 12 of Coquina, both  
14 of which are 660 from the west line. One is 660 from  
15 the east line; one is 1650 from the north and another  
16 is 660 from the south.
- 17 Q Was there an exchange of letters between the parties by  
18 all of those companies which you have mentioned in  
19 regard to the approval of the various 660 locations in  
20 18 and 13 and also Mr. Fasken's location in Section 7?
- 21 A Yes, sir.
- 22 Q And they all have drilled on 660 locations?
- 23 A Yes, sir.
- 24 Q I hand you Exhibit 5. Is it a copy of a letter which  
25 was sent to Yates Petroleum?

1 A Yes, sir.

2 Q By one of these parties?

3 A This was a letter to Yates Petroleum Corporation by  
4 American Trading & Production, American Trading has  
5 an interest in wells in the south half of 18, north half  
6 of 18, and south half of 7. In this letter they waive  
7 objection to the 660 location of Coquina.

8 Q Is it Exhibit 5?

9 A Yes, Exhibit 5.

10 Q I refer you to what has been marked as Exhibit 6 and  
11 ask you what that is.

12 A This is a letter from another party to the wells in  
13 the south half of 18, north half of 18, namely C & K  
14 Petroleum, which they wrote a letter to Coquina dated  
15 March 22, 1973, in which they waive objection to 660  
16 locations in Section 12 and also any 660 location from  
17 the east line.

18 Q Now, these letters and the others with respect to the  
19 locations in Section 12, were they written in response  
20 to requests by Coquina that you waive objection to a  
21 660 location?

22 A Yes, sir. As I have stated it was sort of all get  
23 together saying at once; everybody all over will  
24 telephone and they requested that we will waive an  
25 objection to their unorthodox location.

1 MR. KELLAHIN: I don't believe the answer is  
2 responsive to the question. I believe your question  
3 was, was there a letter and I don't think he has  
4 answered it.

5 THE WITNESS: I'm sorry. There was a letter  
6 from --

7 Q (By Mr. Hinkle) Well, there was a letter from Coquina  
8 to these various parties requesting that they waive  
9 a 660 location, waive objection to a 660 location in  
10 Section 12?

11 A No, sir. There was only a phone call requesting a  
12 letter that we waive objection to the unorthodox location  
13 and we did so waive that. But you realize that no  
14 letter originated these letters. If I may make myself  
15 clear, the phone call requested that we write these  
16 letters.

17 Q They refer specifically to a waiver of objection to  
18 a 660 location in Section 12?

19 A That's correct.

20 Q What is your objection really to the 330 location in  
21 12 by Coquina?

22 A I'd like to refer back briefly to Exhibit 2 which shows  
23 the distances between wells. I think a very important  
24 thing to establish here is that the Fasken well is  
25 drilling on the south half of 1. Yates, Fasken, American

1 Trading, Suburban Propane, all will have a working  
2 interest in that well. Yates in particular has a  
3 working interest. The 330 location that is proposed  
4 will be on 1,040 feet away from the Fasken well that's  
5 presently drilling.

6 Now, there are a lot of ifs to apply to this  
7 thing because we don't know if the Fasken well will  
8 be productive and if the 330 location is approved, and  
9 if the purpose of the location of the 330 location we  
10 have been told is to get into the guts of the channel  
11 and get after the production. Then in effect you have  
12 a 20-acre spacing on gas wells between those two wells.  
13 We already have a 40-acre spacing because of the  
14 precedent set by the 1320. Because we're going down  
15 to 20 acres it's highly conceivable and very probable  
16 that the Fasken well No. 1 either may be of the same  
17 quality as the 330 location. We have found out, as  
18 Mr. Beck pointed out, the permeability is not a function  
19 of thickness in this reservoir; it's not particularly  
20 any function of thickness. The 1,040 feet, as I say,  
21 Fasken well No. 1 could be the same quality or the  
22 330 location could be the same quality as the Fasken  
23 well, if those are productive, if both wells then sell  
24 at the same rate. May I ask whose going to drain whom?  
25 Obviously, the 330 location is going to damage the

1 correlative rights of the parties in the south half of  
2 7 and, gentlemen, this is possible. This can happen.  
3 It may not happen but we don't eliminate the possibility  
4 of its happening by approving it at a 330 location.  
5 There is no proration in the field at the moment.  
6 Approval of the 330 location would allow unfair advantage  
7 to the 330 location in its competition with the presently  
8 drilling well.

9 Q Well, by this agreement which you've referred to between  
10 the parties, they were in effect agreeing that the wells  
11 should not be closer than 1320 feet; is that right?

12 MR. KELLAHIN: Please, I think that material  
13 speculates. The only testimony offered here so far  
14 in connection with the so-called agreement is it was  
15 something done over the telephone which they have not  
16 established the truthfulness of that. They did not  
17 agree to deprive this Commission of jurisdiction to  
18 entertain an application for any unorthodox location,  
19 be it 6 feet out or 600 feet out of the corner.

20 Q (By Mr. Hinkle) Let me word it a little differently  
21 there. Why should, in your opinion, the well be spaced  
22 1320 or more feet apart?

23 A The main thing is that we have a precedent going for us  
24 at the time as to why it should be 1320 as opposed to  
25 1550 or some number. There's no reason to really accurately

1 say except that we all admitted the fact that there's  
2 a channel going up through there. This channel is  
3 highly productive and we felt, as I have been told, if  
4 we were in Russia we'd all drill the section line and  
5 we can't do that. We had to somehow work out an  
6 agreement so that we can protect correlative rights  
7 without getting too greedy about it and this is the  
8 reason that we were willing to accept a 660 waiver on  
9 us if someone would grant it. We were willing to grant  
10 a 660 waiver if someone else would give it to us, but  
11 to get any closer than 1320 is violating the precedent  
12 that was set. No proof has been established that the  
13 660 location would not be a good well. There's been  
14 nothing established concerning the relative damage  
15 between the wells. There's been nothing established  
16 about the drainage effect of one well on the other and  
17 both those wells will be producing at the same time,  
18 roughly. So I feel that allowing this, to what point  
19 do we stop?

20 Q If the Commission should see fit to grant to approve  
21 the application for the 330 location in Section 12, can  
22 you foresee what might happen as a result of that?

23 A The immediate thing that would happen, I think, we would  
24 have a rash of 330 locations in the field either from  
25 those parties who are not making high-low rates or where

- 1 those parties that are about to drill additional wells
- 2 in undeveloped acreage.
- 3 Q So do you think it would be a good or bad precedent?
- 4 A I think it would be a bad precedent.
- 5 Q What is the interest of Yates Petroleum in the well
- 6 being drilled by Fasken in Section 7 and in the well
- 7 in 18 that's in the northwest quarter of 18?
- 8 A As I said, in the south half of 7 it's a walk-in interest.
- 9 To give you an exact figure, I believe you have the
- 10 interest that American Trading and Suburban Propane
- 11 have and you can subtract that and then take half of
- 12 that as what Fasken has.
- 13 Q Do you know of your own knowledge whether or not
- 14 American Trading & Production Corporation, David Fasken,
- 15 Suburban Propane Gas Corporation and C & K Petroleum
- 16 Company all have interests that are involved with wells
- 17 in Sections 7 and 18?
- 18 A Yes, sir.
- 19 Q All of them are working interests?
- 20 A Right.
- 21 Q And, of course, Section 7?
- 22 A I can give you the working interest of Yates Petroleum
- 23 at 58 percent in the north half of 18, I know that
- 24 figure.
- 25 Q Do you have anything else that you would like to say to

1 the Commission?

2 A I would like to reemphasize that permeability is not  
3 necessarily a function of thickness, that we must  
4 consider the fact of relative effective drainage between  
5 the wells presently being drilled and the proposed  
6 locations, that it's not only a function of how close  
7 you can get to the good well that Yates has in the  
8 north half of 18, that by trying to get closer to this  
9 well you can probably damage correlative rights in the  
10 south half of 7. At this time, that's all I have to  
11 say.

12 Q You have no objection to the Commission granting the  
13 application of the alternative or 660 location; do you?

14 A No.

15 Q In your opinion, will the granting of the 660 location  
16 be in the interest of conservation, preservation of  
17 waste and tend to protect correlative rights?

18 A Yes, sir.

19 Q And would, in your opinion, it better protect correlative  
20 rights than the 330 location?

21 A Yes, sir.

22 MR. HINKLE: That's all.

23 MR. PORTER: Mr. Kellahin, do you have any questions  
24 of the witness?

25 MR. KELLAHIN: Yes.

CROSS-EXAMINATION

BY MR. KELLAHIN:

Q You've referred to permeability not being a function of thickness but you will agree that the better wells in this pool are completed in the channel?

A Yes, I would agree.

Q So the channel or thickness is a function of something bearing on the productivity of the wells?

A Well, there's one well that's in the channel and only has 16 feet of pay.

Q But I'm talking about generally the good wells are in the channel; are they not?

A Yes, I don't deny that at all. The good wells are in the channel.

Q You've referred to this gentlemen's agreement that was, as I take it, a telephone conversation among the operators?

A Yes, sir. There was no other way to do it. Some people have to apply for application for hearings and it was confirmed by these letters that were sent out.

Q Nothing was in writing other than the letters waiving the present 660 locations; is that correct?

A I think there may have been some letters which I'm not familiar with -- well, I am. There's some letters that said we will waive an objection to your location if you will waive objection to ours and attached is a letter

- 1 that does this and this is the attachment.
- 2 Q This is the attachment?
- 3 A Yes, sir.
- 4 Q So logically this is all that the agreement consists
- 5 of, these letters waiving objections?
- 6 A Yes, sir.
- 7 Q Now, when was this so-called agreement reached?
- 8 A Well, you can see the letter changed hands March 20,
- 9 1973.
- 10 Q '73. And it only affected, so far as you know, Sections
- 11 13, 18, 19 and 24?
- 12 A No, sir. You've left out -- you started a row too low,
- 13 Sections 12, 7, 13 and 18.
- 14 Q 12, 7, 13 and 18?
- 15 A Yes, sir.
- 16 Q And you say it affected those sections?
- 17 A Yes, sir.
- 18 Q Now Coquina did grant Fasken a waiver on 7?
- 19 A Yes, granted Yates a waiver, sir. And they farmed it
- 20 out to Fasken and he assumed this.
- 21 Q So Yates got the waiver?
- 22 A Yes, sir.
- 23 Q I see. Now, there was nothing in your agreement that
- 24 prohibited a 330 location?
- 25 A There is nothing that prohibits that, yes, sir.

- 1 Q Is there anything anywhere?
- 2 A There was no mention of a 330 location. Nobody ever
- 3 dreamed that anybody would try that.
- 4 Q You just never dreamed this would occur; but it did
- 5 occur down on Section 25; didn't it?
- 6 A No, sir.
- 7 MR. HINKLE: What was the point of time there
- 8 between the well in Section 25 and this agreement?
- 9 THE WITNESS: That's exactly the point I want to
- 10 make. The application was October 13, 1972, is when
- 11 we failed to make our whipstock attempt. I believe the
- 12 hearing date was in August of 1972. Now, what had
- 13 transpired between the time of the whipstock attempt
- 14 and then the subsequent wells was an immediate
- 15 understanding of what was going on geologically in there.
- 16 We did not have that understanding until sometime after
- 17 the whipstock occurred.
- 18 Q (By Mr. Kellahin) Which well are you talking about?
- 19 A I'm talking about the whipstock that Yates did.
- 20 Q There are no whipstocks.
- 21 A I'm talking about the Yates whipstock in the very north-
- 22 east quarter.
- 23 Q When was it whipstocked then?
- 24 A Well, as I said, it was -- it failed on October 13, 1972.
- 25 12-16-72 we shut off the rig and plugged back to the

1 San Andres.

2 Q Then you whipstocked?

3 A Whipstocked the hole after December 16, 1972, when we

4 finally came to our senses.

5 Q But did you test the well in '73 in the San Andres?

6 A Yes, sir. I imagine it was in '73 because this was

7 so close to Christmas.

8 Q So in 1972 somebody was interested in getting closer

9 than 660 to the line?

10 A Yes, sir.

11 Q And in 1972 the well to the south, Fasken's well got

12 closer than 330 feet, 310 feet, in fact?

13 A Unapproved location.

14 Q You didn't fill in an application for approval of your

15 well, nor did Fasken seek approval?

16 A The finally bottomed location, no sir. They were dry

17 holes.

18 Q Nobody asked for a waiver or anything else?

19 A We did ask for a waiver on our initial whipstock.

20 Q I'm talking about your bottom-hole.

21 A Well, no sir. There was no need to do so; it was dry.

22 We would have had to, of course, appear here again and

23 do as we were told by the Commission if we were going

24 to complete it, file a Commission report. We did ask

25 for a waiver on our first well which was 500 feet from

1 the north and 600 from the east. We did ask for it  
2 and did not receive any objections to that proposed  
3 location.

4 Q So a year later you had no conception anybody would do  
5 such a thing again?

6 A Well, at the time we made the agreement, no, sir, because  
7 we all felt that 660 was sufficient to drain that width  
8 of the channel and I still believe that would be the case.  
9 We've learned a lot since '72.

10 Q You heard Mr. Beck's testimony to the effect that wells  
11 in Section 18 and 19 were probably draining Sections 7  
12 and 12; did you not?

13 A Yes, sir. In fact, this is obvious, sir, because when  
14 we drilled our well in the north half of 18 and when  
15 C & K drilled their well in the south half of 18, drainage  
16 had already been established. The pressures were non-  
17 divergent pressures.

18 MR. KELLAHIN: That's all. Thank you, Mr. Yates.

19 MR. PORTER: Other questions?

20 MR. HINKLE: Just one or two more.

21 REDIRECT EXAMINATION

22 BY MR. HINKLE:

23 Q All of the wells you've referred to as whipstocked and  
24 so forth in 25, those all resulted in dry holes?

25 A Yes, sir.

1 Q And the agreement which you have referred to as the  
2 gentlemen's understanding was long after that and after  
3 you had gotten production in the sections to the north;  
4 is that right?

5 A Yes, it was. And particularly in terms of knowledge,  
6 it was long after.

7 Q These dry holes could have no bearing whatsoever on the  
8 present drainage of this channel; do they?

9 A These locations were not approved. The final result,  
10 we may have been penalized or may have been disapproved  
11 completely if the request had been submitted before.

12 MR. HINKLE: I think that's all.

13 MR. PORTER: Is this all the questions?

14 MR. KELLAHIN: I think so.

15 MR. PORTER: The witness may be excused. Is this  
16 the conclusion of your testimony, Mr. Hinkle?

17 MR. HINKLE: That's all of ours.

18 MR. PORTER: At this time the Commission will  
19 ask for statements in the case.

20 MR. HINKLE: I would like to, due to the fact  
21 that I have entered an appearance here for the American  
22 Trading & Production Corporation, David Fasken, Suburban  
23 Propane Gas Corporation and C & K Petroleum Company,  
24 they have all authorized me to protest, enter a protest  
25 and make a statement in their behalf in connection with

dearnley, meier &amp; associates

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1 this application. As I said initially, we are not  
2 opposed to the approval of the alternative 660 location.  
3 I think that it's been clearly brought out by the  
4 testimony here from Mr. Bates that there was a definite  
5 understanding beginning in March, 1973, among all of  
6 these working interest owners, that one, there would  
7 be no protest to a 660 location and everybody understood  
8 that would be 660 locations. After that agreement Yates  
9 well which is a good well was located and obtained the  
10 waiver to it. Fasken's well was located and he obtained  
11 a waiver to it. Nobody objected; the hearings were  
12 held and they were approved.

13 When Coquina's application here was originally  
14 filed for a 660 location it was undoubtedly pursuant  
15 to that agreement which was entered into by all the  
16 parties. Then, as an afterthought, it was amended  
17 or supplemented to provide for a 330 location. So I  
18 think those in themselves and these letters which have  
19 been read and exchanged all corroborate the fact that  
20 there was a definite understanding to that effect.

21 Now, so that the record will show as to the interest  
22 of these parties, the American Trading & Production  
23 Corporation is the owner of 12½ percent working interest  
24 in the David Fasken Vandiver No. 7 working interest  
25 unit composed of the south half of Section 7, Township

1 18 South, Range 26 East, which David Fasken is in the  
2 process of drilling a well 660 feet from the south and  
3 west lines. American Trading & Production Company is  
4 also the owner of an undivided 6.15 percent working  
5 interest in the Yates Petroleum Vandiver CN No. 1 unit  
6 composed of the north half of Section 18, 18, 26. Upon  
7 this is the unit upon which the good well has been  
8 completed and that's in a 660 location. Now, Mr. Jim  
9 Wilson, the District Landman for American Trading &  
10 Production Corporation, in writing me and the Suburban  
11 Propane Gas Company, stated "As we discussed the working  
12 interest owners involved in the south half of Section 7  
13 and the north half of 18, we were under the impression  
14 that we had an agreement with Coquina that the parties  
15 would not drill closer than 660 feet --

16 MR. KELLAHIN: I object to this portion of his  
17 statement.

18 MR. HINKLE: This is not evidence; it's a statement.

19 MR. KELLAHIN: It's part of my objection that it  
20 should not be read into the record here without anything  
21 to support it. It will influence the minds of the  
22 Commission and it is not a proper closing statement.

23 MR. HINKLE: David Fasken is the owner --

24 MR. KELLAHIN: I object. Wait and get a ruling  
25 on my objection, please.

1 MR. HINKLE: I'll withdraw that portion of the  
2 statement there if it causes trouble.

3 Now, David Fasken is the operator of the unit  
4 which operates the south half of 7, 18, 26, on which  
5 the well which has been testified to is being drilled  
6 and this is projected test in the Morrow formation. As  
7 you know, this well is located at 660 feet and is drilling  
8 at approximately 6,000 feet. The Suburban Propane Gas  
9 Corporation has a working interest in the south half of  
10 Section 7, upon which the Fasken well is being drilled  
11 and is a non-operator under an operating agreement with  
12 Fasken and Yates.

13 The C & K Petroleum Company has an interest in  
14 the Yates wells in Section 18, both wells. Of course,  
15 Mr. Yates has already testified as to the interest of  
16 Yates Petroleum Company.

17 Now, all of these parties except C & K Petroleum  
18 Company have an interest in the south half of Section 7  
19 and the well being drilled 660 feet from the west and  
20 south lines of said section. Of course, this is a  
21 direct offset to the well which applicant proposes to  
22 locate 330 feet. I just make that statement to show  
23 that all of these parties could have substantial interest  
24 involved, working interest involved. For the most  
25 part their interests are involved in the direct offset

1 to the Coquina proposed well or diagonal offset in  
2 Sections 7 and 18.

3 I respectfully submit that the application should  
4 be denied as to the 330 location and as previously  
5 stated there is no objection to the approval as to the  
6 660 location.

7 MR. PORTER: Mr. Kellahin?

8 MR. KELLAHIN: If the Commission please. There's  
9 been some effort made to cloud the issue of this case  
10 by reference to the so-called gentlemen's agreement.  
11 The only actual evidence of such agreement consisting  
12 of waivers that have been received for the 660 location.  
13 Mr. Yates on cross-examination stated very definitely  
14 that there is no agreement that nobody would attempt  
15 to drill on a 330 foot location. He just expresses  
16 surprise that anybody would do such a thing although  
17 both Yates and Fasken had in previous years done  
18 exactly this, or attempted to.

19 Now, the main issue here really has nothing to  
20 do with any such agreement. In the first place,  
21 agreement or no agreement, the jurisdiction lies with  
22 the Commission to determine where well locations are,  
23 whether they be 660 or 330. We have a right to file  
24 an application before this Commission; we've violated  
25 no agreement and none has been proved here. The pattern

dearnley, meier &amp; associates

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1 in the pool here has developed on a 660 foot basis and  
2 the number of wells are so arranged that for all  
3 practical purposes the 660 foot well is a standard  
4 location. We are requesting for approval the 660 location  
5 as an alternative in the event there is a penalty imposed  
6 on our 330 foot location which is not economic for us  
7 to drill. The witness here showed, I think rather  
8 clearly and I believe that the testimony offered by  
9 Yates Petroleum Company also shows exactly what our  
10 witness showed, that all of the principal production  
11 is coming out of this channel sand and in order to get  
12 a decent well in this pool you have to get into the  
13 channel sand. He shows the Mountain States McCaw well  
14 at being in the channel. We have somewhat different  
15 interpretation as to where it's producing in the channel  
16 and the Yates witness testified that well and the other  
17 two wells on the north are undoubtedly draining the  
18 acreage in Sections 7 and 12, so we do have a tremendous  
19 drainage area in this pool.

20 It is our contention it is through this channel  
21 sand which is draining the sandbar formation to the  
22 north which is even present at the site of the Yates  
23 Vandiver CN and the C & K Vandiver and the Mountain  
24 States McCaw. They're getting their gas there and  
25 they're closer to that pipe line which goes directly up

1 to these channel sands, to the sands to the north, the  
2 sandbeds, which our location lies within. In order  
3 to get our fair share of the gas underlying this pool  
4 our witness has shown it is necessary for them to get  
5 their well located in the channel sands.

6 Now, the testimony has been that thickness is  
7 not a function of permeability and we certainly would  
8 agree with that. Permeability comes and goes but the  
9 experience here has very clearly shown that if you have  
10 a thick sand body you've got a much better chance of  
11 getting permeability within that sand body than if  
12 you're in a very thin sand body. Certainly, you can  
13 have a thin sand body and have high permeability but  
14 odds are against it. Your chances are much better if  
15 you're in a thick sand body and that's exactly what  
16 we're asking for. If you look at the Yates Exhibit 2  
17 they actually show our 660 foot location as being much  
18 worse a situation than we did. They show it as being  
19 approximately 20 feet of sand thickness as compared to  
20 some 30 or 40 that we interpreted. But at the same  
21 time we want the same strike as the Pennzoil Vandiver  
22 Well No. 2 on the south which is a fairly commercial  
23 well, a million cubic feet a day.

24 Now, we submit that we are not draining anything  
25 off the set acreage simply because in the effect what

1 we're doing is lying in the same pipe line as the  
2 wells to the south are completed in and capacity wells  
3 in Section 7, it is our interpretation, will be completed  
4 in. All we want is the same opportunity to get into  
5 that sand bed in our open acreage. We request that the  
6 application for the 330 foot location be approved.

7 We do have an addition to the waivers which  
8 Mr. Hinkle has furnished the Commission, copies of all  
9 of them here. We also have a waiver from Brunson &  
10 McKnight, Incorporated, saying they have no objection  
11 to any unorthodox location made in the section and  
12 the same from the Pennzoil Corporation. The others  
13 are the same ones that Mr. Hinkle has furnished the  
14 Commission.

15 MR. HINKLE: Mr. Porter, Mr. Yates has handed  
16 me a letter from T. E. Vandiver who is a royalty owner  
17 in Section 7. It's addressed to you and he says that  
18 one copy was mailed to you and one given to Mr. Yates.

19 MR. PORTER: Do you want this in the record?

20 MR. HINKLE: I want it in the record.

21 MR. PORTER: Mr. Hinkle, the letter will be  
22 included in the record. Is there anything else to  
23 come before the Commission in this case?

24 (No response.)

25 MR. PORTER: The Commission will take the case

under advisement and the hearing is adjourned.

\*\*\*\*\*

REPORTER'S CERTIFICATE

I, CLAUDIA FAHRENTHOLD, a Court Reporter, in and  
for the County of Bernalillo, State of New Mexico, do  
hereby certify that the foregoing and attached Transcript  
of Hearing before the New Mexico Oil Conservation  
Commission was reported by me; and that the same is a  
true and correct record of the said proceedings to the  
best of my knowledge, skill and ability.

*Claudia Fahrenthold*  
COURT REPORTER

dearnley, meier & associates

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I N D E X

WITNESS,

RICHARD C. NORMAN

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ROY BECK

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PEYTON YATES

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EXHIBITS

APPLICANT'S

OFFERED

ADMITTED

Exhibits 1 through 6 Maps

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PROTESTANT'S

OFFERED

ADMITTED

Exhibit 1

Map

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BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO  
September 19, 1973

EXAMINER HEARING

IN THE MATTER OF: )

The Application of Coquina Oil )  
Corporation for an unorthodox )  
location, Eddy County, New )  
Mexico )

Case No. 5057

BEFORE: ELVIS A. UTZ, Examiner

TRANSCRIPT OF HEARING

dearnley, meier & associates

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MR. UTZ: Case 5057.

MR. DERRYBERRY: Application of Coquina Oil Corporation for an unorthodox location, Eddy County, New Mexico.

MR. UTZ: It was requested that this case be set for the full Commission since it apparently is going to be controversial. The hearing date for that has not been set yet, but it will be continued to a full Commission hearing.

Case 4745 will be put at the end of the docket, as well as the nomenclature case.

-ooo-

1 STATE OF NEW MEXICO )  
2 ) SS  
3 COUNTY OF BERNALILLO )

4 I, CLAUDIA FAHRENTHOLD, a court reporter in and for  
5 the County of Bernalillo, State of New Mexico, do hereby  
6 certify that the foregoing and attached Transcript of  
7 Hearing before the New Mexico Oil Conservation Commission  
8 was reported by me; and that the same is a true and correct  
9 record of the said proceedings to the best of my knowledge,  
10 skill and ability.

11 Claudia Fahrenthold  
12 COURT REPORTER  
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I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the examiner hearing of Case No. 58-27,  
heard by me on August 12, 1953.  
[Signature], Examiner  
New Mexico Oil Conservation Commission

dearnley, meier & associates

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BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
OIL CONSERVATION COMMISSION CONFERENCE ROOM  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO  
Wednesday, September 5, 1973

IN THE MATTER OF:

Application of Coquina Oil Corporation for an  
unorthodox location, Eddy County, New Mexico.

Case No. 5057

BEFORE: ELVIS A. UTZ,  
Examiner

TRANSCRIPT OF HEARING

dearnley, meier & associates

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1 MR. UTZ: Call Case 5057.

2 MR. CARR: Case 5057, Application of Coquina Oil  
3 Corporation for an unorthodox location, Eddy County,  
4 New Mexico.

5 MR. UTZ: Do we have anyone here representing  
6 Coquina?

7 MR. KELLAHIN: If the Examiner please, Jason  
8 Kellahin, Kellahin & Fox, appearing for the Applicant.  
9 We have filed a request that this case be continued and  
10 readvertised to include a location 330 feet from the  
11 South and East lines of Section 12, or, in the alternative,  
12 660 feet.

13 MR. UTZ: South and East?

14 MR. KELLAHIN: From the South and East, yes, sir.

15 MR. UTZ: Case 5057 will be continued and  
16 readvertised as requested by Counsel for Coquina Oil  
17 Corporation.  
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dearnley, meier & associates

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PAGE 4

1 STATE OF NEW MEXICO )  
2 ) ss  
3 COUNTY OF BERNALILLO )

4 I, JOHN DE LA ROSA, a Court Reporter, in and for the  
5 County of Bernalillo, State of New Mexico, do hereby certify  
6 that the foregoing and attached Transcript of Hearing before  
7 the New Mexico Oil Conservation Commission was reported by me;  
8 and that the same is a true and correct record of the said  
9 proceedings to the best of my knowledge, skill and ability.

10 John De la Rosa  
11 COURT REPORTER  
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I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Ex. case No. 9-5-73, 1  
heard by me on 9-5-73, 1  
John De la Rosa, Reporter  
New Mexico Oil Conservation Commission



# OIL CONSERVATION COMMISSION

**STATE OF NEW MEXICO**

**P. O. BOX 2098 - SANTA FE**

8750f

November 16, 1973

**I. R. TRUJILLO**  
**CHAIRMAN**

**LAND COMMISSIONER  
ALEX J. ARMIJO  
MEMBER**

**STATE GEOLOGIST  
A. L. PORTER, JR.  
SECRETARY - DIRECTOR**

Mr. Jason Kellahin  
Kellahin & Fox  
Attorneys at Law  
Post Office Box 1769  
Santa Fe, New Mexico

Re: CASE NO. 5057  
ORDER NO. R-4670

Applicant:  
Coquina Oil Corporation

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

A. L. Porter, Jr.  
A. L. PORTER, Jr.  
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC	<u>x</u>
Artesia OCC	<u>x</u>
Aztec OCC	

Other Mr. Clarence Hinkle

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 5057  
Order No. R-4670

APPLICATION OF COQUINA OIL  
CORPORATION FOR AN UNORTHODOX  
LOCATION, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on October 16, 1973,  
at Santa Fe, New Mexico, before the Oil Conservation Commission.

NOW, on this 16th day of November, 1973, the Commission,  
a quorum being present, having considered the testimony, the  
record, and the recommendations of the Examiner, and being fully  
advised in the premises,

FINDS:

- (1) That due public notice having been given as required by  
law, the Commission has jurisdiction of this cause and the  
subject matter thereof.
- (2) That the applicant, Coquina Oil Corporation, seeks  
authority to drill a proposed gas well at an unorthodox location  
330 feet from the South line and 330 feet from the East line  
of Section 12, Township 18 South, Range 25 East, NMPM, West  
Atoka-Morrow Gas Pool, Eddy County, New Mexico.
- (3) That, in the alternative, the applicant seeks approval  
of an unorthodox location 660 feet from the South line and 660  
feet from the East line of said Section 12.
- (4) That the South half of said Section 12 would be dedicated  
to the well.
- (5) That the offset operators have objected to the proposed  
330-foot location.
- (6) That no offset operator has objected to the proposed 660-  
foot location.
- (7) That the applicant has failed to sustain its burden of  
proof to show that approval of the 330-foot location is necessary  
to protect its correlative rights.

-2-

Case No. 5057  
Order No. R-4670

(8) That the application for authority to drill the proposed well at the aforesaid 330-foot location should be denied.

(9) That approval of the proposed 660-foot unorthodox location will afford the applicant the opportunity to produce its just and equitable share of the gas from the West Atoka-Morrow Gas Pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That the application of Coquina Oil Corporation for approval of an unorthodox location 330 feet from the South line and 330 feet from the East line of Section 12, Township 18 South, Range 25 East, NMPM, West Atoka-Morrow Gas Pool, Eddy County, New Mexico, is hereby denied.

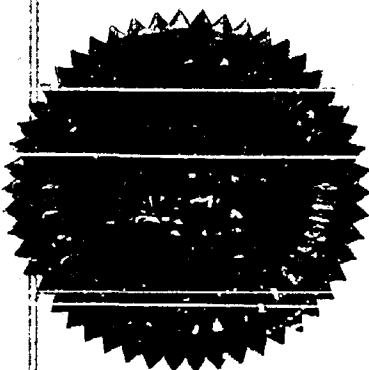
(2) That the applicant, Coquina Oil Corporation, is hereby granted authority to drill a gas well at an unorthodox location 660 feet from the South line and 660 feet from the East line of Section 12, Township 18 South, Range 25 East, NMPM, West Atoka-Morrow Gas Pool, Eddy County, New Mexico.

(3) That the S/2 of said Section 12 shall be dedicated to the subject well.

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION



*[Signature]*  
I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member

*[Signature]*  
A. L. PORTER, Jr., Member & Secretary

S E A L

dr/

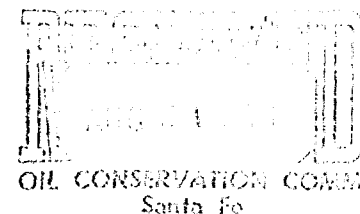
JASON W. KELLAHIN  
ROBERT E. FOX  
W. THOMAS KELLAHIN

KELLAHIN AND FOX  
ATTORNEYS AT LAW  
500 DON GASPAR AVENUE  
POST OFFICE BOX 1769  
SANTA FE, NEW MEXICO 87501

TELEPHONE 982-4315  
AREA CODE 505

August 24, 1973

Oil Conservation Commission  
of New Mexico  
P. O. Box 2088  
Santa Fe, New Mexico 87501



Attention: Mr. R. L. Stamets

Re: Application of Coquina Oil Corporation  
for an Unorthodox Well Location, Eddy  
County, New Mexico

Gentlemen:

Under the above application, Coquina Oil Corporation has applied for an unorthodox well location, 660 feet from the South and 660 feet from the East boundaries of Section 12, Township 18 South, Range 25 East, N.M.P.M., to be dedicated to a unit composed of the S/2 of Section 12.

This case is presently set for hearing on September 5. This is to request that the case be continued and readvertised to provide for a well location 330 feet from the South boundary and 330 feet from the East boundary of Section 12, or in the alternative, 660 feet from the South and 660 feet from the east boundary.

It is requested that if possible, the case be advertised for the September 19th hearing of the Commission.

Your consideration of this request will be appreciated.

Yours very truly,

*Jason W. Kellahin*  
Jason W. Kellahin

JWK:ks

DOCKET MAILED

9-7-73  
10-5-73

Docket No. 25-73

DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 5, 1973

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,  
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

The following cases will be heard before Elvis A. Utz, Examiner, or Richard L. Stamets, Alternate Examiner:

- ALLOWABLE: (1) Consideration of the allowable production of gas for October, 1973, from seventeen prorated pools in Lea, Eddy, Roosevelt and Chaves Counties, New Mexico;
- (2) Consideration of the allowable production of gas from nine prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico, for October, 1973.

CASE 5055: Application of Merrion & Bayless for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Gallup and Dakota oil and gas production within the wellbore of the Canada Mesa Well No. 3 located in Unit A of Section 14, Township 24 North, Range 6 West, Basin-Dakota and Devils Fork-Gallup Pools, Rio Arriba County, New Mexico.

CASE 5056: Application of Depco, Inc. for an unorthodox location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill a proposed gas well at an unorthodox location 990 feet from the North line and 1980 feet from the East line of Section 24, Township 15 South, Range 27 East, Buffalo Valley-Pennsylvanian Gas Pool, Chaves County, New Mexico.

CASE 5057: Application of Coquina Oil Corporation for an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks <sup>330</sup>~~380~~ authority to drill a proposed gas well at an unorthodox location ~~380~~ feet from the South and East lines of Section 12, Township 18 South, Range 25 East, West Atoka-Morrow Gas Pool, Eddy County, New Mexico, the S/2 of Section 12 to be dedicated to the well. *In the alternative, applicant seeks approval of an unorthodox location 660 feet*

CASE 5058: Application of Corinne Grace for a dual completion and unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of her Gradonoco Well No. 1 located in Section 2, Township 23 South, Range 26 East, Eddy County, New Mexico, in such a manner as to produce gas from an undesignated Wolfcamp pool and from the South Carlsbad-Morrow Gas Pool through tubing and the tubing-casing annulus, respectively, by a means of a cross-over assembly. Applicant further seeks approval of the unorthodox location of said well in the Wolfcamp formation at a point 2500 feet from the North line and 330 feet from the East line of said Section 2, which location has previously been approved for the Morrow formation.

*feet from the South and East line of said Section 12.*

- CASE 5059: Application of Cities Service Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface of the ground down to and including the Devonian formation underlying the S/2 of Section 14, Township 20 South, Range 28 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard gas well location in Unit K of said Section 14. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5060: Application of Continental Oil Company for a unit agreement and for a waterflood expansion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the North El Mar Unit Area comprising 2361 acres, more or less, of State and Federal lands in Township 26 South, Ranges 32 and 33 East, Lea County, New Mexico. Applicant further seeks authority to expand its El Mar Payne waterflood project within said unit area previously authorized by Order No. R-3540.
- CASE 5061: Application of Continental Oil Company for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the Grayburg formation in its Elliott A-15 Well No. 1 located in Unit P of Section 15, Township 22 South, Range 37 East, Penrose-Skelly Pool, Lea County, New Mexico.
- CASE 5062: Application of Continental Oil Company for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the Grayburg-San Andres formation in its Mitchell Wells Nos. 2 and 6 located in Units P and J, respectively, of Section 5, Township 17 South, Range 32 East, Maljamar Pool, Lea County, New Mexico.

700 Hermosa Drive  
Artesia, New Mexico 88210

October 12, 1973

Mr. A. L. Porter, Jr.  
Secretary-Director  
State of New Mexico  
Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Dear Mr. Porter:

This letter is in reference to an application (Case 5057) of Coquina Oil Corporation to drill a proposed gas well at an unorthodox location 330 feet from the South and East lines of Section 12, Township 18 South, Range 25 East, West Atoka-Morrow Gas Pool, Eddy County, New Mexico.

I am a substantial royalty owner in the wells producing from the S/2 of Section 18 and N/2 of Section 18, Township 18 South, Range 25 East, both of which are no closer than 660 feet to the West edge of their lease lines. I am also a substantial royalty owner in the lands dedicated to the David Faskens Vandiver 7-#1, presently drilling 660 feet from South and East lines in Section 7, Township 18 South, Range 26 East. As a royalty owner, I object strongly to the proposed 330 feet location in said Section 12. Such a location would seriously damage my correlative rights, particularly if the David Faskens Vandiver 7-#1 proves to be a producer. No other well in the entire field has been drilled so close to another well.

I would not object to the alternative location proposed by Coquina, 660 feet from South and 660 feet from East line, as there are already other wells in the field with similar locations.

Respectively,

*T. E. Vandiver*  
T. E. Vandiver

*[Handwritten signature]*

Docket No. 28-73

DOCKET: REGULAR HEARING - TUESDAY - OCTOBER 16, 1973  
OIL CONSERVATION COMMISSION - 9 A.M. - STATE LAND OFFICE CONFERENCE ROOM,  
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

CASE 5074: In the matter of the hearing called by the Oil Conservation Commission of New Mexico upon its own motion to consider the application of Plateau, Inc., operator of a petroleum refinery located approximately 1 1/2 miles southeast of Bloomfield, New Mexico, for certification to the Commissioner of Public Lands as a small business enterprise within the state not having an adequate supply of charge stocks and eligible to be granted a preference, pursuant to Chapter 34, New Mexico Laws of 1967, for the purchase of state royalty oil. The Commission will consider the application and such pertinent evidence as may be submitted concerning the capacity of the refinery, the source and grade of all refinery charge stocks currently available to the applicant, the minimum amount and grade of additional refinery charge stocks needed to meet existing refinery commitments or existing refinery capacity, and the efforts made by applicant to purchase refinery charge stocks on the open market.

CASE 5057: (Continued and readvertised)

Application of Coquina Oil Corporation for an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill a proposed gas well at an unorthodox location 330 feet from the South and East lines of Section 12, Township 18 South, Range 25 East, West Atoka-Morrow Gas Pool, Eddy County, New Mexico, the S/2 of Section 12 to be dedicated to the well. In the alternative, applicant seeks approval of an unorthodox location 660 feet from the South and East lines of said Section 12.

COQUINA OIL CORPORATION  
BUILDING OF THE SOUTHWEST  
MIDLAND, TEXAS 79701

(AC) 915 683-4661

March 20, 1973

Re: Waiver of Objection  
to Unorthodox Locations

Yates Petroleum Corporation  
Yates Building  
Artesia, New Mexico 88210

Attn: Mr. Jack McGall

Gentlemen:

This letter is to advise that we have no objections to your  
proposed unorthodox location 1650' FNL and 660' FWL Section 18,  
T-18-S, R-26-E, Eddy County, New Mexico.

Sincerely,

COQUINA OIL CORPORATION, Operator

By:

*Tracy P. Clark*  
Tracy P. Clark

TPC:lj

cc: C & K Petroleum, Inc.  
American Trading & Production Corp.  
Suburban Propane Gas Corporation

BEFORE THE	
OIL CONSERVATION COMMISSION	
Socorro, New Mexico	
Case No.	5057
Submitted by	Tracy P. Clark
Hearing Date	6/16/73



YATES BUILDING - 207 SOUTH 4TH ST.  
ARTESIA, NEW MEXICO - 83210

S. P. YATES  
PRESIDENT  
MARTIN YATES, III  
VICE PRESIDENT  
JOHN A. YATES  
VICE PRESIDENT  
B. W. HARPER  
SEC. - TREAS.

March 20, 1973

Coquina Oil Corporation  
200 Building of the Southwest  
Midland, Texas 79701

Re: Waiver of Objection to  
Unorthodox Location

Gentlemen:

This letter is to advise that we have no objection to your proposed unorthodox locations 1650' FNL and 660' FEL; and 660' FSL and 660' FEL of Section 12, Township 18 South, Range 25 East, Eddy County, New Mexico.

Yours very truly,

YATES PETROLEUM CORPORATION

By: 

cc: CSK Petroleum, Inc.  
Suburban Propane Gas Corporation  
American Trading & Production Corporation

*Protestants*  
*EX 4*  
*5057*  
*12*

AMERICAN TRADING AND PRODUCTION CORPORATION  
WESTERN UNITED LIFE BUILDING  
POST OFFICE DRAWER 992  
MIDLAND, TEXAS 79701

A. C. 915  
684-4463

March 21, 1973

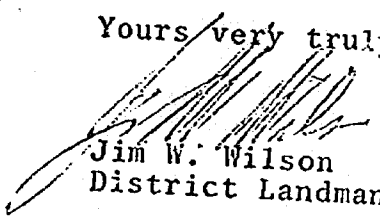
Coquina Oil Corporation  
200 Building of the Southwest  
Midland, Texas 79701

Re: Waiver of Objection to  
Unorthodox Location

Gentlemen:

This letter is to advise that we have no objection to  
your proposed unorthodox locations 1650' FNL and 660' FEL;  
and 660' FSL and 660' FEL of Section 12, Township 18 South,  
Range 25 East, Eddy County, New Mexico.

Yours very truly,

  
Jim W. Wilson  
District Landman

JWW:rd

cc: C&K Petroleum, Inc.  
Suburban Propane Gas Corporation  
Yates Petroleum Corporation ✓

*Protestants Ex 5  
Es 5057*



PETROLEUM, INC.  
March 22, 1973

Coquina Oil Corporation  
200 Building of the Southwest  
Midland, Texas 79701

Re: Waiver of Objection to  
Unorthodox location

Gentlemen:

This letter is to advise that we have no objection to your proposed unorthodox locations  
1650' FNL and 660' FEL; and 660' FSL and 660' FEL of Section 12, Township 18 South,  
Range 25 East, Eddy County, New Mexico.

Yours very truly,

C & K PETROLEUM, INC.

(Mrs.) Danie Lebow  
Petroleum Landwoman

*PL 1104*

/dml

cc: American Trading & Production Corporation  
P. O. Drawer 992  
Midland, Texas 79701  
Attn: Mr. Jim W. Wilson, District Landman  
cc: Suburban Propane Gas Corporation  
2120 Alamo Nat'l. Bank Bldg.  
San Antonio, Texas  
Attn: Mr. J. C. Eldred  
cc: Yates Petroleum Corporation  
207 South 4th Street  
Artesia, New Mexico - 88210  
Attn: Mr. Jack McCaw

*Producers Exp  
Lv 5057*

2-20-76  
EXHIBIT 6

Procedure: 1.

- 1) Draw 320 acre circle with center at location 660'FS and 660'FE, Section 12, T-18-S, R-25-E
- 2) Draw 320 acre circle with center at location 330'FS and 330'FE, Section 12
- 3) Calculate area outside of standard 320-acre spacing unit i.e.  $5\frac{1}{2}$  Sec 12 by Planimeter  
for both circles.
- 4) Find difference between areas outside of standard spacing unit i.e.  $5\frac{1}{2}$  Sec 12 for the two circles
- 5) Compare the above difference to the area outside of the standard spacing unit enclosed by circle centered at the 660-660 location to find penalty.

To find radius of circle containing 320 acres

$$A = \pi r^2$$

$$1 \text{ Acre} = 43,560 \text{ sq ft}$$

$$\pi = 3.1416$$

$$320 \text{ Acres} = 13,939,200 \text{ sq ft}$$

$$13,939,200 \text{ sq ft} = 3.1416 r^2$$

$$r^2 = \frac{13,939,200}{3.1416} = 4,435,200$$

$$r = \sqrt{4,435,200} = 2106.4' = \text{radius of 320 acre circle}$$

Calculation of penalty

- 1) Area of circle outside  $5\frac{1}{2}$  Sec 12 for circle with center at 660-660 location = 169.00 acres
- 2) Area of circle outside  $5\frac{1}{2}$  Sec 12 for circle with center at 330-330 location = 205.66 acres
- 3) Difference in acres between 1) and 2) = 36.66 acres
- 4) Ratio of difference <sup>(36.66 acres)</sup> to area of 660-660 circle outside of  $5\frac{1}{2}$  Sec 12 i.e. 169.00 acres = penalty  
$$\frac{36.66}{169.00} = .21692 = 21.692\% = \text{Penalty}$$

EXHIBIT 7  
never admitted  
by Cogswell

Procedure 2.

Same as Procedure 1, except that difference in area outside S<sup>4</sup>/<sub>2</sub> Section 12 of the two circles is compared to the total area enclosed by the circle centered at the 660-660 location

$$\begin{array}{l} \text{Difference of areas outside S}^4_2 \text{ Section 12} = 36.66 \text{ ac} \\ \text{Area of 660-660 circle} = 320 \text{ ac} \end{array}$$

$$\frac{36.66 \text{ ac}}{320.00 \text{ ac}} = .11456 = 11.456\% = \text{Penalty}$$

8 1/2

Sec. 12

2106.4'

660'

660'

330' 330'

Scale: 1" = 660'

S 1/2

Sec. 12

2106.4'

660'

660'

330' 330'

Scale: 1" = 660'

NOTIFIED MR. HINKLE'S OFFICE OF OCT. 16 th Com.  
hearing, also notified Mr. John Yates & Jason Kellahin

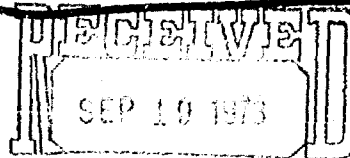


YATES BUILDING - 207 SOUTH 4TH ST.  
ARTESIA, NEW MEXICO - 88210

DOCKET FILED

Date

10-5-73



OIL CONSERVATION COMM  
Santa Fe

September 18, 1973

746-3535  
S. P. YATES  
PRESIDENT  
MARTIN YATES, III  
VICE PRESIDENT  
JOHN A. YATES  
VICE PRESIDENT  
B. W. HARPER  
SEC. TREAS.

Oil Conservation Commission  
State of New Mexico  
P. O. Box 2088  
Santa Fe, New Mexico 87501

ATTENTION: Mr. A. L. Porter

Dear Mr. Porter:

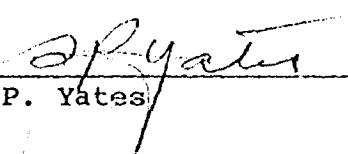
This is to confirm our telephone conversation of today concerning Case 5057, application of Coquina Oil Corporation for an unorthodox location, Eddy County, New Mexico. We wish to thank you for granting a continuance of this case.

We are enclosing a copy of a letter mailed Friday, September 14, 1973 to the attention of Mr. Bill Carr on this hearing.

Please let us know when the hearing will be conducted. Again, thank you for your telephone call of this morning.

Yours truly,

YATES PETROLEUM CORPORATION

  
S. P. Yates

SPY/jg  
Enclosure  
9/20/73

I called Mr. Yates and advised him that you were ill and that as soon as a hearing date before the Commission was set for Coquina Mr. Yates would be advised. He said Mr. Hinkle will be representing them.

Ida

Set for  
Oct 16, 1973



YATES BUILDING - 207 SOUTH 4TH ST.  
ARTESIA, NEW MEXICO - 88210

S. P. YATES  
PRESIDENT  
MARTIN YATES, III  
VICE PRESIDENT  
JOHN A. YATES  
VICE PRESIDENT  
B. W. HARPER  
SEC. TREAS.

September 14, 1973

Oil Conservation Commission  
State of New Mexico  
P. O. Box 2088  
Santa Fe, New Mexico 87501

ATTENTION: Mr. Bill Carr

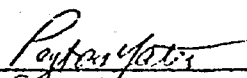
Gentlemen:

Pursuant to our phone conversation of today, we request that the New Mexico Oil Commission hearing of Case 5057, application of Coquina Oil Corporation for an unorthodox location, Eddy County, New Mexico, presently scheduled before an Examiner September 19, 1973, be granted a continuance.

Mr. Jason Kellahin, legal representative for Coquina Oil Corporation, has expressed his concurrence with our request.

Yours truly,

YATES PETROLEUM CORPORATION

  
Peyton Yates  
Engineer

PY/jg

700 Hermosa Drive  
Artesia, New Mexico 88210

October 12, 1973

Mr. A. L. Porter, Jr.  
Secretary-Director  
State of New Mexico  
Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Dear Mr. Porter:

This letter is in reference to an application (Case 5057) of Coquina Oil Corporation to drill a proposed gas well at an unorthodox location 330 feet from the South and East lines of Section 12, Township 18 South, Range 25 East, West Atoka-Morrow Gas Pool, Eddy County, New Mexico.

I am a substantial royalty owner in the wells producing from the S/2 of Section 18 and N/2 of Section 18, Township 18 South, Range 25 East, both of which are no closer than 660 feet to the West edge of their lease lines. I am also a substantial royalty owner in the lands dedicated to the David Faskens Vandiver 7-#1, presently drilling 660 feet from South and East lines in Section 7, Township 18 South, Range 26 East. As a royalty owner, I object strongly to the proposed 330 feet location in said Section 12. Such a location would seriously damage my correlative rights, particularly if the David Faskens Vandiver 7-#1 proves to be a producer. No other well in the entire field has been drilled so close to another well.

I would not object to the alternative location proposed by Coquina, 660 feet from South and 660 feet from East line, as there are already other wells in the field with similar locations.

Respectively,

*T E Vandiver*  
T. E. Vandiver

**BRUNSON & McKNIGHT, INC.**

BYRON McKNIGHT  
505 393-7411

P. O. Box 297  
HOBBS, NEW MEXICO 88240

NOLAN H. BRUNSON, JR.  
505 393-6169

September 17, 1973

Coquina Oil Corporation  
Building of the Southwest  
Midland, TX 79701

Attention: Mr. T. P. Clark

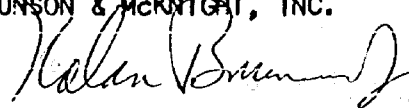
Re: Waiver of Objection to  
Unorthodox Location

Gentlemen:

This letter is to advise that we have no objection to any proposed unorthodox location to be made by you in the E/2 of Section 12, Township 18 South, Range 25 East.

Very truly yours,

BRUNSON & McKNIGHT, INC.



Nolan H. Brunson, Jr.

JW



WESTERN DIVISION OFFICE • WALL TOWERS WEST-MIDLAND, TEXAS, • PHONE (915) 682-7316  
MAILING ADDRESS: P. O. DRAWER 1828 MIDLAND, TEXAS 79701

March 29, 1973

Coquina Oil Comporation  
Building of the Southwest  
Midland, Texas 79701

Attention: Mr. T. P. Clark

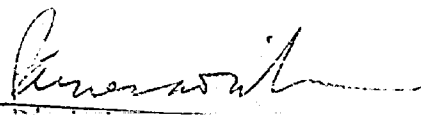
Re: WAIVER OF OBJECTION  
TO UNORTHODOX LOCATION

Gentlemen:

This letter is to advise that we have no objection  
to any proposed unorthodox location to be made by  
you in the E/2 of Section 12, T-18-S, R-25-E.

Very truly yours,

PENNZOIL COMPANY

By:   
Division Landman

JAD/mlm

## SUBURBAN PROPANE

Exploration and Production Division

2120 Alamo National Building  
San Antonio, Texas 78205



March 26, 1973

Coquina Oil Corporation  
200 Building of the Southwest  
Midland, Texas 79701

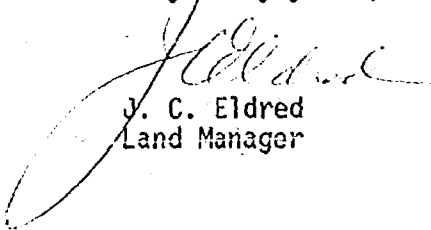
RE: Waiver of Objection to  
Unorthodox Location

Gentlemen:

We are delivering to you herewith a letter waiving any objection to unorthodox locations 1650' FNL and 660' FEL; and 660' FSL and 660' FEL of Section 12, Township 18 South, Range 25 East, Eddy County, New Mexico. This letter is addressed to all of the lease owners in these two areas that we know about.

We are delivering this letter subject to receiving a letter from Coquina Oil Corporation and other owners waiving any objection to Yates Petroleum Corporation's location 1650' FNL and 660' FNL of Section 18 and waiving any objection to unorthodox locations on the W/2 of Section 7, Township 18 South, Range 26 East, Eddy County, New Mexico.

Very truly yours,

  
J. C. Eldred  
Land Manager

JCE/ji

cc: C&K Petroleum, Inc.  
Yates Petroleum Corporation  
American Trading and Production Corporation



PETROLEUM, INC.

March 22, 1973

Coquina Oil Corporation  
200 Building of the Southwest  
Midland, Texas 79701

Re: Waiver of Objection to  
Unorthodox location

Gentlemen:

We are delivering to you herewith a letter waiving objection by C & K Petroleum, Inc. to unorthodox locations 1650' FNL and 660' FEL; and 660' FSL and 660' FEL of Section 12, T-18-S, R-25-E, Eddy County, New Mexico. This letter is addressed to all lease owners known to us in this area.

We are delivering this letter to you subject to receiving a letter from Coquina Oil Corporation and other owners waiving any objection to Yates Petroleum Corporation's location 1650' FNL and 660' FWL of Sec. 18 and waiving objection to unorthodox locations on the W/2 of Sec. 7, T-18-S, R-26-E, Eddy County, New Mexico.

Very truly yours,

C & K PETROLEUM, INC.

*Danie Lebow*

(Mrs.) Danie Lebow  
Petroleum Landwoman

/dml

cc: American Trading & Production Corporation  
P. O. Drawer 992  
Midland, Texas 79701  
Attn: Mr. Jim W. Wilson, District Landman  
cc: Suburban Propane Gas Corporation  
2120 Alamo Nat'l. Bank Bldg.  
San Antonio, Texas  
Attn: Mr. J. C. Eldred  
cc: Yates Petroleum Corporation  
207 South 4th Street  
Artesia, New Mexico 88210  
Attn: Mr. Jack McCaw

AMERICAN TRADING AND PRODUCTION CORPORATION

WESTERN UNITED LIFE BUILDING  
POST OFFICE DRAWER 992  
MIDLAND, TEXAS 79701

A. C. 915  
684-4462

March 21, 1973

Coquina Oil Corporation  
200 Building of the Southwest  
Midland, Texas 79701

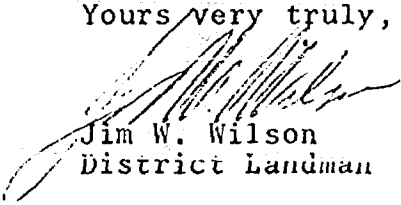
Re: Waiver of Objection to  
Unorthodox Location

Gentlemen:

We are delivering to you herewith a letter waiving any objection to unorthodox locations 1650' FNL and 660' FEL; and 660' FSL and 660' FEL of Section 12, Township 18 South, Range 25 East, Eddy County, New Mexico. This letter is addressed to all of the lease owners in these two areas that we know about.

We are delivering this letter subject to receiving a letter from Coquina Oil Corporation and other owners waiving any objection to Yates Petroleum Corporation's location 1650' FNL and 660' FWL of Section 18 and waiving any objection to unorthodox locations on the W 1/2 of Section 7, Township 18 South, Range 26 East, Eddy County, New Mexico.

Yours very truly,



Jim W. Wilson  
District Landman

JWW:rd

cc: C&K Petroleum, Inc.  
Suburban Propane Gas Corporation  
Yates Petroleum Corporation



YATES BUILDING - 207 SOUTH 4TH ST.  
ARTESIA, NEW MEXICO - 88210

March 20, 1973

S. P. YATES  
PRESIDENT  
MARTIN YATES, III  
VICE PRESIDENT  
JOHN A. YATES  
VICE PRESIDENT  
B. W. HARPER  
SEC. TREAS.

Coquina Oil Corporation  
200 Building of the Southwest  
Midland, Texas 79701

Re: Waiver of Objection to  
Unorthodox Location

Gentlemen:

This letter is to advise that we have no objection to your proposed unorthodox locations 1650' FNL and 660' FEL; and 660' FSL and 660' FEL of Section 12, Township 18 South, Range 25 East, Eddy County, New Mexico.

Yours very truly,

YATES PETROLEUM CORPORATION

By: 

cc: C&K Petroleum, Inc.  
Suburban Propane Gas Corporation  
American Trading & Production Corporation

AMERICAN TRADING AND PRODUCTION CORPORATION  
WESTERN UNITED LIFE BUILDING  
POST OFFICE DRAWER 992  
MIDLAND, TEXAS 79701

A. C. 915  
684-4463

March 21, 1973

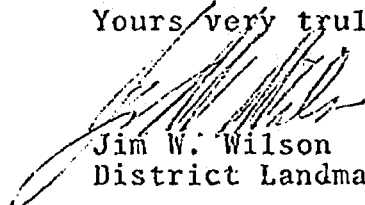
Coquina Oil Corporation  
200 Building of the Southwest  
Midland, Texas 79701

Re: Waiver of Objection to  
Unorthodox Location

Gentlemen:

This letter is to advise that we have no objection to  
your proposed unorthodox locations 1650' FNL and 660' FEL;  
and 660' FSL and 660' FEL of Section 12, Township 18 South,  
Range 25 East, Eddy County, New Mexico.

Yours very truly,



Jim W. Wilson  
District Landman

JWW:rd

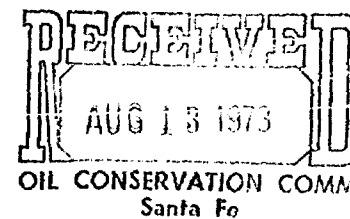
cc: C&K Petroleum, Inc.  
Suburban Propane Gas Corporation  
Yates Petroleum Corporation

A. J. LOSEE  
JOEL M. CARSON

LAW OFFICES  
LOSEE & CARSON, P.A.  
300 AMERICAN HOME BUILDING  
P. O. DRAWER 239  
ARTESIA, NEW MEXICO 88210

AREA CODE 505  
746-3508

10 August 1973



*Case 5057*

Mr. A. L. Porter, Jr.  
Secretary-Director  
Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Dear Mr. Porter:

Enclosed herewith, you will please find triplicate copies of the Application of Coquina Oil Corporation for an unorthodox gas well location, Eddy County, New Mexico.

Please set this matter for hearing before an examiner at the first regular scheduled hearing in September, 1973.

Very truly yours,

LOSEE & CARSON, P. A.

  
A. J. Losce

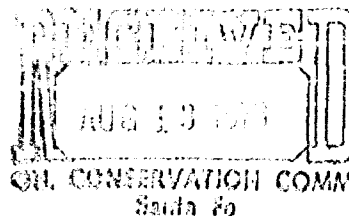
AJL/sff  
Enclosures

cc: Mr. Tracy Clark  
Mr. Robert E. Boling

DOCKET MAILED

9-7-73  
10-8-73  
DOCKET MAILED

Date 8-24-73



BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF )  
COQUINA OIL CORPORATION FOR AN )  
UNORTHODOX GAS WELL LOCATION, EDDY )  
COUNTY, NEW MEXICO )

Case No. 5057

APPLICATION

COMES COQUINA OIL CORPORATION, by its attorneys,  
and in support hereof, respectfully states:

1. That Applicant seeks approval of an unorthodox gas well location for a proposed well to be located 660 feet from the South and East lines of Section 12, Township 18 South, Range 25 East, N.M.P.M., West Atoka-Morrow gas pool, Eddy County, New Mexico.

2. The S/2 of said Section 12 is to be dedicated to the well.

3. That a well drilled at the proposed unorthodox location can efficiently and economically drain the S/2 of said Section 12.

4. That approval of the Application will afford Applicant the opportunity to produce its just and equitable share of gas in the West Atoka-Morrow gas pool.

WHEREFORE, Applicant prays:

A. That this Application be set for hearing before an examiner and that notice of said hearing be given as required by law.

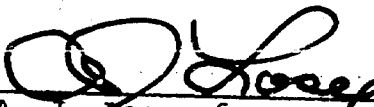
B. That upon hearing, the Commission enter its order granting to Applicant approval of its unorthodox gas

well location at a point 660 feet from the South and East  
lines of Section 12, Township 18 South, Range 25 East,  
N.M.P.M., Eddy County, New Mexico.

C. And for such other relief as may be just in  
the premises.

COQUINA OIL CORPORATION

By:

  
A. J. Losee for

LOSEE & CARSON, P.A.  
P. O. Drawer 239  
Artesia, New Mexico 88210

Attorneys for Applicant

DRAFT

jr

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 5057

Order No. R-4670

APPLICATION OF COQUINA OIL  
CORPORATION FOR AN UNORTHODOX  
LOCATION, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on October 16, 1973,  
at Santa Fe, New Mexico, before Examiner the Oil Conservation Commission.

NOW, on this        day of November, 1973, the Commission,  
a quorum being present, having considered the testimony, the record,  
and the recommendations of the Examiner, and being fully advised  
in the premises,

FINDS:

(1) That due public notice having been given as required by  
law, the Commission has jurisdiction of this cause and the subject  
matter thereof.

(2) That the applicant, Coquina Oil Corporation, seeks authority  
to drill a proposed gas well at an unorthodox location 330 feet from  
the South ~~line~~ line and 330 feet from the East line of Section 12, Township 18 South, Range 25  
East, NMPM, West Atoka-Morrow Gas Pool, Eddy County, New Mexico.

(3) That, in the alternative, the applicant seeks approval of  
an unorthodox location 660 feet from the South ~~and~~ line and 660 feet from the East line of said  
Section 12.

(18) That the application for authority to drill the proposed well at the offset 330-foot location should be denied.

(7) That the applicant has failed to sustain its burden of proof to show that approval of the 330-foot location is necessary to protect its correlative rights.

(4) That the South half of said Section 12 <sup>would</sup> ~~is to~~ be dedicated to the well.

(5) That the offset operators have objected to the proposed 330-foot location.

(6) That no offset operator has objected to the proposed 660-foot location.

(9) That approval of the proposed 660-foot unorthodox location will afford the applicant the opportunity to produce its just and equitable share of the gas from the West Atoka-Morrow Gas Pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(2) That the applicant, Coquina Oil Corporation, is hereby <sup>granted</sup> ~~given~~ authority <sup>approval</sup> to drill a gas well at an unorthodox location 660 feet from the ~~line and 660 feet from the~~ South and East lines of Section 12, Township 18 South, Range 25 East, NMPM, West Atoka-Morrow Gas Pool, Eddy County, New Mexico.

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

(1) That the application of Coquina Oil Corporation for approval of an unorthodox location 330 feet from the South line and 330 feet from the East line of Section 12, Township 18 South, Range 25 East, NMPM, West Atoka-Morrow Gas Pool, Eddy County, New Mexico, ~~is~~ is hereby denied.

(3) That the S<sup>1</sup>/<sub>2</sub> of said Section 12 shall be dedicated to the subject well.

Case 5001

Application of Cogum Oil  
Corporation for an Unorthodox  
Gas Location, Eddy County,  
New Mexico.

Before O.C.C., Oct. 16, 1975

FINDINGS:

- (1) Notice
- (2) That the applicant, Cogum Oil Corporation, seeks authority to drill a proposed gas well at an unorthodox location 330 feet from the South and East lines of Section 12, Township 18 South, Range 25 East, NMRM, West Atoka - Moscow Gas Pool, Eddy County, New Mexico
- (3) That, in the alternative, the applicant seeks approval of an unorthodox location 660 feet from the South and East lines of said Section 12.
- (4) That the South half of said Section 12 is to be dedicated to the well.
- (5) That the offset operators have objected to the proposed 330-foot location.
- (6) That no offset operator has objected to the proposed 660-foot location.

(9) That the applicant has failed to sustain the burden of proof to show that approval of the 660-foot location is necessary to protect its correlative rights.

(8) That approval of the proposed 660-foot unorthodox location, will afford the applicant the opportunity to produce its just and equitable share of the gas from the West Atoka-Morrow Gas Pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

#### IT IS THEREFORE ORDERED:

(1) That the applicant, Coquina Oil Corporation, is hereby given approval to drill a gas well at an unorthodox location 660 feet from the South and East lines of Section 12, Township 18 South, Range 25 East, NMPM, West Atoka-Morrow Gas Pool, Eddy County, New Mexico.

(2) Jurisdiction.

DONE