

CASE 5854: PALMER OIL AND GAS COMPANY
FOR AN UNORTHODOX LOCATION, RIO ARRIBA
COUNTY, NEW MEXICO

CASE NO.

5854

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
February 2, 1977

EXAMINER HEARING

IN THE MATTER OF:

Application of Palmer Oil and Gas
Company for an unorthodox location,
Rio Arriba County, New Mexico.

CASE
5854

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil Conservation Commission: Lynn Teschendorf, Esq.
Legal Counsel for the Commission
State Land Office Building
Santa Fe, New Mexico

For the Applicant: Jason W. Kellahin, Esq.
KELLAHIN & FOX
Attorneys at Law
500 Don Gaspar
Santa Fe, New Mexico

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General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

I N D E X

Page

CURTIS J. LITTLE

Direct Examination by Mr. Kellahin

3

EXHIBIT INDEX

Offered

Admitted

Applicant's Exhibit One, Plat

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1 MR. NUTTER: We will call Case Number 5854.

2 MS. TESCHENDORF: Case 5854, application of Palmer
3 Oil and Gas Company for an unorthodox location, Rio Arriba
4 County, New Mexico.

5 MR. KELLAHIN: If the Examiner please, Jason
6 Kellahin, Kellahin and Fox, appearing for the applicant. We
7 have one witness to be sworn.

8 (THEREUPON, the witness was duly sworn.)

9
10 CURTIS J. LITTLE

11 called as a witness, having been first duly sworn, was
12 examined and testified as follows:

13
14 DIRECT EXAMINATION

15 BY MR. KELLAHIN:

16 Q Will you state your name, please?

17 A Curtis J. Little.

18 Q What business are you engaged in, Mr. Little?

19 A Consulting petroleum geology.

20 Q Where are you located?

21 A Albuquerque.

22 Q In connection with your work as a consulting
23 petroleum geologist have you done any work for Palmer Oil and
24 Gas Company in connection with Case 5854?

25 A Yes, I have.

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1 Q What does the applicant propose in this case?

2 A To drill a Mesaverde test in a legal location
3 eighteen hundred and fifty feet from the north line and eleven
4 fifty feet from the west line of Section 8, 26 North, 2 West.

5 Q Now, when you say a legal location, you are talking
6 about the footage location on the outer boundaries of the
7 unit, are you not?

8 A Yes.

9 Q Actually, this is an unorthodox well location, is
10 it not?

11 A Yes.

12 Q What acreage will be dedicated to the well?

13 A The north half of Section 8.

14 Q Has there been a well drilled on that unit?

15 A Yes, there has been a well drilled by Magnolia
16 Petroleum Company in 1956 in the northeast northeast of
17 Section 8. It was plugged and abandoned.

18 Q Referring to Exhibit Number One, is that the No. 1
19 Boring Well?

20 A Yes.

21 Q And you say it was plugged and abandoned when?

22 A On June 19, 1958.

23 Q Did the well produce at all?

24 A No.

25 Q Have you examined the well log on this well and

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1 determined what problems were encountered with it?

2 A. Well, the first problem they had was they perforated
3 and sand-water fraced the Mesaverde twice. The first time
4 they had a casing cement channel and the well ended up testing
5 ninety barrels of load water, twenty-four hours with a gas
6 volume of eighty-three MCF per day. Then Mobil tried to --
7 well, they perforated and fractured the Picture Cliffs formation
8 and that interval flowed two barrels of oil and five barrels
9 of salt water in twenty-four hours. The well was then plugged.

10 Q And all of the information on that well is reflected
11 in the well file contained in the Commission records, is it not?

12 A. Yes.

13 Q Now, what is your reason for proposing a location
14 in the west portion of that unit?

15 A. We think that there will be commercial quantities of
16 gas produced in the northwest quarter of Section 8.

17 Q Now, referring to Exhibit Number One again, is that
18 location offset by production?

19 A. Yes, there is a very good well in the southwest
20 quarter of Section 8 which has produced in excess of four
21 billion cubic feet of gas.

22 Q In your opinion if the well is not drilled at the
23 location proposed will the gas underlying that unit be
24 recovered?

25 A. No, I don't.

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- 1 Q. You say it would not be recovered?
- 2 A. It would not be recovered.
- 3 Q. Unless this well is drilled?
- 4 A. Right.
- 5 Q. Now, have you contacted the offsetting owners?
- 6 A. Yes, and we have waivers from all of them. Mobil
- 7 will be paying, if this is approved, Mobil will join in the
- 8 drilling and pay half of the cost of the proposed test.
- 9 Q. And who are the other offset owners?
- 10 A. Palmer to the north-northwest and west and Mobil and
- 11 Bill Galloway to the east and Palmer to the northeast and
- 12 Aztec to the southeast, Mobil to the south, Mobil to the
- 13 southwest and Mobil to the west.
- 14 Q. And all have given their consent to this location?
- 15 A. Yes.
- 16 Q. In your opinion will the drilling of the well impair
- 17 correlative rights in any way?
- 18 A. No, sir.
- 19 Q. And will it prevent waste?
- 20 A. Yes, sir.
- 21 Q. Was Exhibit One prepared by you or under your
- 22 supervision?
- 23 A. Yes, sir.
- 24 MR. KELLAHIN: We offer into evidence Exhibit Number
- 25 One.

1 MR. NUTTER: Exhibit Number One will be admitted
2 into evidence.

3 (THEREUPON, Applicant's Exhibit Number One
4 was admitted into evidence.)

5 MR. NUTTER: Are there any questions of this
6 witness? He may be excused.

7 (THEREUPON, the witness was excused.)

8 MR. NUTTER: Do you have anything further, Mr.
9 Kellahin?

10 MR. KELLAHIN: That's all we have, Mr. Nutter.


11 MR. NUTTER: Does anyone have anything they wish to
12 offer in Case Number 5854? We will take the case under advise-
13 ment.

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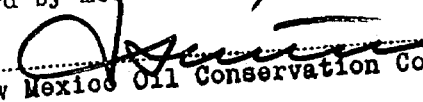
REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Certified Shorthand Reporter,
do hereby certify that the foregoing and attached Transcript
of Hearing before the New Mexico Oil Conservation Commission
was reported by me, and the same is a true and correct record
of the said proceedings to the best of my knowledge, skill and
ability.



Sidney F. Morrish, C.S.R.

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 5-854
heard by me on 2/2, 1977.

 Examiner
New Mexico Oil Conservation Commission

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- CASE 5845: Application of Texaco Inc. for an unorthodox location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Navajo Tribe "BS" Well No. 5 to be drilled 1340 feet from the South line and 1300 feet from the West line of Section 23, Township 26 North, Range 18 West, Tootie Dome Penn "D" Pool, San Juan County, New Mexico.
- CASE 5846: Application of Harvey E. Yates Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its South Empire Deep Unit Well No. 13 to be drilled 660 feet from the South line and 1597 feet from the West line of Section 30, Township 17 South, Range 29 East, South Empire Field, Eddy County, New Mexico, the S/2 of said Section 30 to be dedicated to the well.
- CASE 5810: (Continued from the January 19, 1977, Examiner Hearing)
- Application of Yates Petroleum Corporation for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Stonewall "EP" Com Well No. 1, located in Unit F of Section 30, Township 20 South, Range 28 East, Eddy County, New Mexico, to produce gas from the North Burton Flat-Wolfcamp Gas Pool and an undesignated Morrow gas pool.
- CASE 5847: Application of Yates Petroleum Corporation for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Gossett "EU" Well No. 1, located in Unit K of Section 26, Township 17 South, Range 25 East, Eddy County, New Mexico, in such a manner as to produce gas from the Lower Wolfcamp or Upper Pennsylvanian and the Lower Pennsylvanian formations through the casing-tubing annulus and tubing, respectively.
- CASE 5848: Application of Yates Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Pipkin HE Well No. 1 to be drilled 660 feet from the South and West lines of Section 4, Township 18 South, Range 25 East, Eddy County, New Mexico, the S/2 of said Section 4 to be dedicated to the well.
- CASE 5849: Application of King Resources Company for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Long Canyon Unit Area comprising 18,880 acres, more or less, of State and Federal lands in Townships 19 and 20 South, Ranges 19 and 20 East, Chaves County, New Mexico.
- CASE 5850: Application of Pennzoil Company for adoption of pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the adoption of pool rules for the North Mesalero-Cisco Pool, Lea County, New Mexico, including provision for a special gas-oil ratio limit of 4,500 to one.
- CASE 5117: (Reopened)
- In the matter of Case 5117 being reopened pursuant to the provisions of Order No. R-4691-A, which order extended the temporary special pool rules for the North Dagger Draw-Upper Pennsylvanian Pool, Eddy County, New Mexico. All interested parties may appear and show cause why said North Dagger Draw-Upper Pennsylvanian Pool should not be developed on less than 160-acre proration units and why the special depth bracket allowable should be retained.
- CASE 5851: Application of Jerome P. McHugh for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Tapacito-Pictured Cliffs, Blanco Mesaverde, and Basin-Dakota production in the wellbore of his Tribal Wells Nos. 1 and 2 located in Unit D of Section 16 and Unit L of Section 9, respectively, Township 26 North, Range 3 West, Rio Arriba County, New Mexico.
- CASE 5852: Application of Jerome P. McHugh for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Wildhorse-Gallup and Basin-Dakota production in the wellbore of his Apache Wells Nos. 3 and 4, located in Units D and L, respectively, of Section 19, Township 26 North, Range 3 West, Rio Arriba County, New Mexico.
- CASE 5853: Application of Carl Engwall for an exception to casing and cementing requirements of Order No. R-111-A, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the casing and cementing requirements of Order No. R-111-A to eliminate the salt protection casing string in a well he proposes to drill in Unit L of Section 27, Township 20 South, Range 34 East, Lynch-Yates-Seven Rivers Pool, Lea County, New Mexico.
- CASE 5854: Application of Palmer Oil and Gas Company for an unorthodox location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Stevenson Well No. 2 to be drilled 1850 feet from the North line and 1150 feet from the West line of Section 8, Township 26 North, Range 2 West, Blanco-Mesaverde Pool, Rio Arriba County, New Mexico, the N/2 of said Section 8 to be dedicated to the well.

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. 5854
Order No. R-5367

APPLICATION OF PALMER OIL AND GAS
COMPANY FOR AN UNORTHODOX LOCATION,
RIO ARriba COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on February 2, 1977, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 8th day of February, 1977, 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, Palmer Oil and Gas Company, seeks approval of an unorthodox gas well location for its Stevenson Well No. 2 to be drilled at a point 1850 feet from the North line and 1150 feet from the West line of Section 8, Township 26 North, Range 2 West, NMPM, Blanco-Mesaverde Pool, Rio Arriba County, New Mexico.

(3) That the N/2 of said Section 8 is to be dedicated to the well.

(4) That a well at said unorthodox location will better enable applicant to produce the gas underlying the proration unit.

(5) That no offset operator objected to the proposed unorthodox location.

-2-

Case No. 5854
Order No. R-5367

(6) That approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject 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:

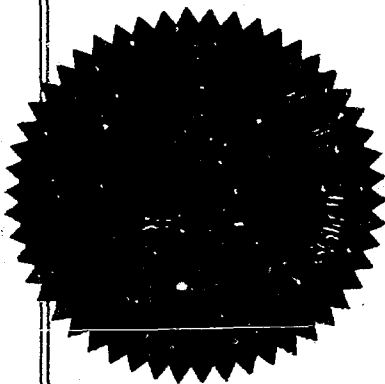
(1) That an unorthodox gas well location for the Palmer Oil and Gas Company Stevenson Well No. 2 is hereby approved, said well to be located at a point 1850 feet from the North line and 1150 feet from the West line of Section 8, Township 26 North, Range 2 West, NMPM, Blanco-Mesaverde Pool, Rio Arriba County, New Mexico.

(2) That the N/2 of said Section 8 shall be dedicated to the above-described well.

(3) 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


Phil R. Lucero
PHIL R. LUCERO, Chairman

Emery C. Arnold
EMERY C. ARNOLD, Member

Joe D. Ramey
JOE D. RAMEY, 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

January 13, 1977

TELEPHONE 982-4315
AREA CODE 505

Mr. Joe D. Ramey, Director
Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Dear Mr. Ramey:

Enclosed is the application of Palmer Oil and Gas Company for approval of an unorthodox well location. This application is filed following a telephoned application, and it is my understanding that it is being set for hearing on February 2, 1977.

Sincerely,


Jason W. Kellahin

CC: Les G. Campbell
Curtis Little

JWK:kfm

Enclosure

BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF PALMER OIL AND GAS COMPANY FOR
APPROVAL OF AN UNORTHODOX WELL
LOCATION, ~~SAN JUAN~~ COUNTY, NEW MEXICO
RIO ARRIBA

A P P L I C A T I O N

Comes now Palmer Oil and Gas Company and applies to the Oil Conservation Commission of New Mexico for approval of an unorthodox well location for its Stevenson Well No. 2, Blanco Mesaverde Gas Pool, *Rio Arriba* ~~San Juan~~ County, New Mexico, and in support thereof would show the Commission:

1. Applicant proposes to locate its Stevenson No. 2 well 1850 feet from the North Line and ¹¹⁵⁰ 150 feet from the West line of Section 8, Township 26 North, Range 2 West, N.M.P.M., as an exception of the pool rules for the Blanco Mesaverde pool, dedicating the North half of the section to the well.

2. On the basis of information available to it, applicant believes that a well so located will better drain and develop the N/2 of Section 8, and enable applicant to recover its just and equitable share of the hydrocarbons underlying its acreage in the proposed unit.

3. The correlative rights of interest owners in the area will not be impaired by approval of the well location as proposed, waste will be prevented, and oil or gas, or both, will be recovered that would not otherwise be recovered by a well so located.

WHEREFORE applicant prays that this application be set for hearing before the Commission or the Commission's duly appointed examiner, and that after notice and hearing as required by law the Commission enter its order approving the well location as requested.

Respectfully submitted,
PALMER OIL AND GAS COMPANY

By Jason Kellahin
Kellahin & Fox
P. O. Box 1769
Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANT

BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF PALMER OIL AND GAS COMPANY FOR
APPROVAL OF AN UNORTHODOX WELL
LOCATION, ~~SAN~~-JUAN COUNTY, NEW MEXICO

RIO ARRIBA

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P. O. Box 1769
Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANT

BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

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APPROVAL OF AN UNORTHODOX WELL
LOCATION, ~~SAN JUAN~~ COUNTY, NEW MEXICO
RIO ARRIBA

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1. Applicant proposes to locate its Stevenson No. 2 well 1850 feet from the North Line and ¹¹⁵⁰~~450~~ feet from the West line of Section 8, Township 26 North, Range 2 West, N.M.P.M., as an exception of the pool rules for the Blanco Mesaverde pool, dedicating the North half of the section to the well.
2. On the basis of information available to it, applicant believes that a well so located will better drain and develop the N/2 of Section 8, and enable applicant to recover its just and equitable share of the hydrocarbons underlying its acreage in the proposed unit.
3. The correlative rights of interest owners in the area will not be impaired by approval of the well location as proposed, waste will be prevented, and oil or gas, or both, will be recovered that would not otherwise be recovered by a well so located.

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Respectfully submitted,
PALMER OIL AND GAS COMPANY

By Jason Kellahin
Kellahin & Fox
P. O. Box 1769
Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANT

Case 5854

Application of Palmer Oil Co. ^{and Co.}
for Unorthodox location

Stevenson #2 1850 FNL 1150
FWL 8-26 N-2W, Dedicate
N/2 Sec 8 Blanco MV Pool

Jason Kellin 1-13-76

RLS

ROUGH

dr/

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. 5854

Order No. R- 5367

APPLICATION OF PALMER OIL AND GAS COMPANY
FOR AN UNORTHODOX LOCATION,
RIO ARriba COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

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at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this day of February, 1977, 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, Palmer Oil and Gas Company, seeks
for its Stevenson Well No. 2 to be drilled at a point
approval of an unorthodox gas well location/ 1850 feet from the North
line and 1150 feet from the West line of Section 8, Township
26 North, Range 2 West, NMPM, ~~to test the~~
Mesaverde formation, Blanco-Mesaverde Pool,
Rio Arri^{ba} County, New Mexico.

(3) That the N/2 of said Section 8 is to be dedicated to the
well.

(4) That a well at said unorthodox location will better enable
applicant to produce the gas underlying the proration unit.

(5) That no offset operator objected to the proposed unorthodox
location.

-2-

Case No. _____
Order No. R- _____

(6) That approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject 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 an unorthodox gas well location for the ^{Palmer Oil and Gas Company}
~~application~~ ^{Mesaverde} Stevenson Well No. 2
~~formation~~ is hereby approved, said well to be located at a point 1850
feet from the North line and 1150 feet from the West
line of Section 8, Township 26 North, Range 2 West
NMPM, Blanco-Mesaverde Pool, Rio Arriba County,
New Mexico.

(2) That the N/2 of said Section 8 shall be dedicated to the above-described well.

(3) 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.