

CASE 5142: COSMINA OIL CORP.  
for an unorthodox gas well  
location, Eddy County, New Mexico

CASE No.

5148

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Application,

Transcripts,

Small Exhibits

ETC.

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
January 16, 1974

EXAMINER HEARING

IN THE MATTER OF:

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

Case No. 5148

BEFORE: Richard L. Stamets, Examiner.

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil Conser-  
vation Commission:

Thomas Derryberry, Esq.  
Legal Counsel for the Com-  
mission  
State Land Office Building  
Santa Fe, New Mexico

For the Applicant:  
(Coquina Oil Corporation)

Thomas Kellahin, Esq.  
KELLAHIN & FOX  
500 Don Gaspar  
Santa Fe, New Mexico

For the Protestant:  
(Monsanto)

Clarence Hinkle, Esq.  
HINKLE, BONDURANT, COX & EATON  
Hinkle Bldg.  
Roswell, New Mexico

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MR. STAMETS: We will call Case 5148.

MR. DERRYBERRY: Case 5148. Application of Coquina Oil Corporation for an unorthodox gas well location, Eddy County, New Mexico.

MR. STAMETS: Call for appearances in this case.

MR. KELLAHIN: Thomas Kellahin, Kellahin and Fox, Santa Fe, New Mexico, appearing on behalf of the Applicant, Coquina Oil Corporation. I have one witness to be sworn.

MR. HINKLE: Clarence Hinkle, Hinkle, Bondurant, Cox and Eaton, appearing on behalf of Monsanto. One witness.

MR. STAMETS: All the witnesses stand and be sworn, please.

(Witnesses sworn.)

JAMES L. HARBEN

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Please state your name, by whom you are employed and in what capacity?

A James L. Harben, H-a-r-b-e-n. I'm employed by Coquina Oil Corporation in Midland, Texas, as a petroleum

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geologist.

Q Mr. Harben, have you previously testified before this Commission?

A No, I have not.

(Whereupon, a discussion was held off the record.)

Q Mr. Harben, will you state briefly your educational background?

A I graduated from Texas Christian University in Ft. Worth, Texas with a BA degree in geology in 1955.

Q What has been your employment experience since graduation?

A Immediately upon graduation I was employed by Stan Lone which is Amoco now, in the Ft. Worth office and sent to Midland, Texas, where I have been ever since. I was with Amoco about six years and the same with Amano Corporation and am presently with Coquina. I have been there about 10 months with Coquina.

Q In what capacity do you work for Coquina Oil Corporation?

A As a petroleum geologist.

Q Are you familiar with the Boyd-Morrow Gas Pool, Eddy County, New Mexico?

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A Yes, I am.

Q Are you familiar with the facts surrounding this particular Application?

A Yes, I am.

MR. KELLAHIN: If the Examiner please, are the witness' qualifications as an expert acceptable?

MR. STAMETS: Yes, they are.

BY MR. KELLAHIN:

Q Mr. Harben, would you state briefly what Coquina is seeking by this Application?

A Well, we desire to drill a test to adequately test the Morrow in an unorthodox location 990 feet from the north and the east line. This would be to the depth of approximately 9,300 feet.

Q Would you please refer to what has been marked Applicant's Exhibit 1 and identify it.

A This is a land plat and on the plat submitted the solid yellow is Coquina acreage. That which is outlined is that which Coquina has partial interest. We have farmed out from Midwest the north half of 16.

Q Would you please refer to what has been marked as Exhibit No. 2?

A Exhibit No 2 is the letter directed to Yates

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Petroleum Corporation.

Q Would you please refer to that?

A Yes, that letter states that they waive any objections to our unorthodox location.

Q Exhibit No. 3, would you please refer to that? That's the letter to Midwest Oil Corporation?

A That is another letter which waives any objections to our unorthodox location.

Q Please refer to Exhibit No. 4, that's the letter from Whitacker and Brooks.

A Exhibit No. 4 is a letter from Mr. Brooks representing Faskens and it, too, waives any objection to our unorthodox location.

Q Mr. Harben, then, in considering all the consents to the unorthodox location, what, if any, acreage is not consented to this location?

A Monsanto has not consented to that location there.

Q What interest does Monsanto own and where?

A They have the 80 acres which is the east half of the northeast quarter of Section 16 and they have additional acreage in the south part of Section 16.

Q Will you please refer to what has been marked as Exhibit No. 5 and identify it?

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A This is a combination map. It is a map on 20-foot contour intervals on top of the middle mark and overlining on that isopach with clean sand middle Morrow section. The wells colored in red are those that produce from the middle Morrow. The uncolored wells which are gas wells, just one in the east half of section 15 is Lower Morrow Gas Well.

Oil wells up to the north of Section 3 and 4 are Canyon Oil Wells

Now, our proposed location is depicted primarily on the thick-access isopach map there. We believe that access line aligns itself in the northwest-southeast direction and to penetrate the maximum thickness of the Middle Morrow sand, we feel like we should at that unorthodox location.

Q Is there a standard location within this area, in which you could drill a well that would be in similar advantageous position as your unorthodox location?

A Not according to our interpretation. I don't think so

Q In summary, Mr. Harben, the proposed unorthodox location would be the best location for drilling a well in this particular half section?

A Yes, that is our idea. I might add something else

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to this, that we have to refer to this next --

Q (Interrupting) All right. Let's go to the next Exhibit, Mr. Harben, that's Exhibit No. 6. Would you please refer to that and identify that?

A Exhibit No. 6 is a cross section that is indicated on Exhibit No. 5, running from the well in the southeast quarter of Section 10 to the well in the southwest quarter of Section 9 and to the south, which would be 8, to the well in the northwest quarter of Section 16.

Now, if you'll notice, there is a little Morrow development in the well on the right-hand side of the cross section, which was perforated and tested Morrow gas. Immediately south of there and in Section 15, that well is a Lower Morrow Gas Well. We further believe, in addition to finding maximum thickness in the Middle Morrow at our unorthodox location, that we would have a better opportunity to pick up the Lower Morrow as additional pay sand in there, because if you notice on the cross section, to the west we still have remnants of that Lower Morrow. When you come across to the north, up in Section 9, the Lower Morrow is effectively going as clean sand. So, it is our idea that the Lower Morrow lays perhaps on the northeast-southwest access in there. That our unorthodox location would be the optimum

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spot to encounter both Morrow sands.

Q Mr. Harben, can your unit acreage economically and efficiently be drained by wells in this proposed unorthodox location?

A Yes, I believe it can.

Q In your opinion, will this impair correlative rights of others?

A No, I don't think so.

Q As you said, you have the support of the offsetting interest owners except for Monsanto?

A Yes, that is correct.

Q In your opinion, will this result in your recovery of hydrocarbons that otherwise would not be recovered?

A Yes, I think it would. It gives that maximum thickness there and it also, I believe, with a unit on the north half would give us an opportunity to drill another unit on the south half of Section 16. There is a good possibility that that thick Morrow access can continue into the south half of the Section 16.

Q What acreage do you propose to dedicate to this flow?

A The north half of 16.

Q In your opinion, will the approval of this Application

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CROSS

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be in the best interest of conservation and avoid the drilling of unnecessary wells?

A Yes, it would be.

Q Were Exhibits 1 through 6 prepared by you or prepared under your direction and supervision?

A Under my direction and supervision.

MR. KELLAHIN: If the Commission, we would like to introduce Exhibits 1 through 6.

MR. STAMETS: Applicant's Exhibits 1 through 6, without objection, will be admitted.

(Whereupon, Applicant's Exhibits Nos. 1 through 6 for identification were admitted in evidence.)

(Whereupon, a discussion was held off the record.)

MR. KELLAHIN: This concludes our Direct Examination.

MR. STAMETS: Are there questions of this witness?

CROSS EXAMINATION

BY MR. HINKLE:

Q You just stated that you propose to dedicate the north half of Section 16 to this well, that is, if it produces. Of course, your Exhibit No. 6 and Exhibit No. 5 both

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show a dry hole in the northwest quarter, is that right?

A Yes, sir, that's correct.

Q Doesn't that dry hole practically condemn in your geology, too, practically condemn the northwest quarter?

A No, sir, I couldn't say it does, because of the very nature of the Morrow. We can -- well, for example, if you look in Section 10, two wells, a well to the north and a well to the south. Look at the difference in your middle Morrow section there. I don't -- perhaps you'd drill the one to the south first. You might never have drilled one to the north.

Q The dry hole went through the whole Morrow Section, did it not?

A Yes, sir.

Q It was dry?

A Yes, sir, but you know about the permeability around the Morrow Gas Well. That could be a permeability barrier that comes in from the west..

Q Did you drill this dry hole?

A That was Western States Producing Company.

Q How long ago was that?

A I don't believe I have the date on that well. I would say it was drilled in the last three years, probably.

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Q So you personally do not know anything about the well, that drilling of it or completion attempt or anything?

A No, I do have the drill-stem tests which are shown on the well on the cross section, and as you can see, we have some, as I said before, remnants of Lower Morrow clean sand. We pick up some clean Middle Morrow sand. Who knows how far past that drill bore any permeability may develop. So, I can't believe that that well there would condemn the entire portion of the acreage through there.

Q But it is very well structurally located in your Exhibit No. 5, is it not?

A No, sir.

Q Your Exhibit No. 5 would indicate that a large part, at least, of the northwest quarter would not be productive?

A Well, I wouldn't say that, because this structural nose that comes through here, we can have the permeability developed and at a good structural position in the north part of the northwest quarter of that section there.

MR. HINKLE: That's all.

CROSS EXAMINATION

BY MR. STAMETS:

Q Mr. Harben, referring to your Exhibit No. 1, the

proposed location will be crowding acreage in Section 15 and you have waivers of objection from the two owners in there, is that correct?

A Yes, sir, that's correct.

Q That crowding of acreage in Section 10 in the south half, you have waiver of objection?

A Yes, sir.

Q The only one that has not agreed at this stage is Monsanto, who owns acreage in the proposed prorationing unit?

A That is right, yes, sir.

Q Looking at your Exhibit No. 6, there were three drill-stem tests there and none of those recovered any gas from the Morrow formation?

A No.

Q So, this would definitely show that that particular well is a dry hole. Is it because of the well's structural position on this monocline or because of the conditions in the sand body?

A I would say it is because of permeability within, the sand in structural position there does not effect that well.

Q So, there might be some gas there, but it cannot get to the well bore because of permeability?

A Yes, sir, that is my idea of the thing.

Q I have also taken your Exhibit No. 5 and roughly sketched on there the quarter-quarter section and drawn a standard location 660 from the north line and 1980 feet from the east line. You might wish to do that on your copy.

A All right.

Q And tell me if the sand body -- Middle Morrow sand body that you encounter there would be significantly different from the proposed location?

A No, I couldn't say it would be significantly different, but in draining this area, I would say the well at the unorthodox location with the thick sand body there within the Middle Morrow, that then we have a location to look forward to in the south half of Section 16, figuring on east-west drainage for both wells.

Q I'm not sure that I understand how the location in the north half would have a bearing on the drilling of the well in the south half there.

A Well, if it turns out as we would anticipate, then we could project further access to this Morrow sand to the south half of 16. I think it would be a more prudent operation to drill in that unorthodox location to set up location in the south half, figuring the drainage pattern from west to

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east toward the well bore. In that case any gas, say, north of the dry hole in the west half of 16 could migrate from west to east toward the well bore. If it came down and drilled here in the south half of 16, you could see the same type of integration from west to east to the well bore.

Q Do you know what the productive capacity of the two wells in Section 10 are?

A The one on the northeast quarter in September last year was 85,000,000 cubic feet. Initial potential was 20,500,000.

The well in the southeast quarter -- I believe it's shut in now -- it's original potential was 3,700,000 cubic feet.

Q Were those completed in Middle Morrow?

A Yes, sir, in Middle Morrow and the one in the southeast quarter also had been perforated in Lower Morrow Section.

MR. STAMETS: Are there any other questions of the witness? You may be excused.

(Witness excused.)

MR. STAMETS: Do you have anything further, Mr. Kellahin?

MR. KELLAHIN: Nothing further.

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E. M. SCHOLL

called as a witness, having been previously sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. HINKLE:

Q State your name and residence and by whom you are employed?

A My name is Ed Scholl. I reside at Midland, Texas. I am employed by Monsanto Company as District Engineer.

Q Have you previously testified before the Commission?

A Yes, sir, I have.

Q Your qualifications as a petroleum engineer are a matter of record with the Commission?

A Yes, sir, they are.

MR. HINKLE: Are the qualifications acceptable?

MR. STAMETS: They are.

BY MR. HINKLE:

Q What interest does Monsanto own in Section 16, in the north half of Section 16, Township 19 South, Range 25 East?

A Monsanto owns half interest in the east half of the northeast quarter with Yates Petroleum. We also own --

Q (Interrupting) What do you own in the southeast

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quarter?

A We own the west half of the southeast quarter of the southeast quarter of the southeast quarter, 40 acres in the 80 in there, so, we own a substantial interest in the east half of Section 16. Further we own 40 acres in the west half, which would be the northwest quarter of the southwest quarter of Section 16. We own all of this acreage undivided with Yates.

Q Undivided one-half interest?

A Yes.

Q Yates one-half and Monsanto?

A Yes.

Q Has Coquina approached you with respect to participating in the drilling of the well at the proposed location in the northeast quarter of Section 16?

A Coquina has approached Monsanto and we have approached Coquina to drill a well in the east half dedicating the logical east half location to this well and we haven't reached agreement.

Q So, you have not agreed to the -- participate in drilling of this well at this time?

A That's right, but we are interested in drilling a well, but this thing that is in question that we think the

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logical proration unit --

Q What is your objection to this unorthodox location?

A Well, going back, we dedicated our acreage to the Western States Well, that's a dry hole in the west half. In other words, if they would have gotten production, they would have earned our acreage, so, we in effect, participated in that well, thinking that the west half was dedicated. Also, that next logical drilling unit would be the east half of the section 16.

Q If you dedicated the east half of Section 16 to a well, would you need an unorthodox location?

A No, sir, you wouldn't. We would recommend that 1980 from the north and 660 from the east. As a matter of fact, we would like to drill the well ourselves at that location.

There is also, if I may, the west half standing up would take care of the dry hole. We could drill this well on the east half and Coquina could also drill their well on the west half of 15 and, then, also there is a well on the east half of 15 and that would make an orderly drilling and development pattern for the Sections 16 and 15 without any unorthodox locations.

Q In your opinion, Mr. Scholl, that would save the

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drilling of the unnecessary well in the east half of Section 16?

A Yes, sir.

Q Because of the dry hole in the northwest quarter and geological information you have, in your opinion, is the northwest quarter productive of the Morrow formation?

A No, sir, it is not.

Q Refer to Applicant's Exhibit No. 6. Would you like to make a comment with respect to this cross section?

A I would like to agree with the Coquina. The Western States Well is definitely dry. There was no gas to surface on any of the tests. That's about the only comment I would like to make at this time.

Q Do you have anything further that you would like to submit?

A No, except that I would like to point out that we do want to join in the well. We do want to join in the well in the east half. We feel that a regular location is there and productive, don't see how --

Q (Interrupting) If you join in a well located in the east half, what would Monsanto's percentage be?

A Monsanto's percentage would be about approximately 31.25 percent.

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Q Monsanto would be willing to pay their proportionate part on that basis?

A Yes.

Q What would be your percentage if the well were drilled at the proposed location and the north half of 16 were dedicated to that well?

A Approximately 12 and one-half percent.

Q Anything further?

A No, nothing further.

MR. HINKLE: I believe that's all.

MR. STAMETS: Are there questions of the witness?

CROSS EXAMINATION

BY MR. KELLAHIN:

Q Mr. Scholl, let me clarify a few things in my own mind. Monsanto's real objection to this particular problem primarily is the configuration of the unit, whether it runs up and down or whether it runs east and west, that is the first consideration, is it not?

A That coupled with geology.

Q Let me get to that geology in just a second.

A All right.

Q You would prefer the east half of this section be dedicated to the well?

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A Yes, that's right.

Q As opposed to the north end?

A That's right.

Q Primary consideration in that position is based upon the fact that if the east half is dedicated, your interest is 31.25 percent as opposed to the north half dedication where your interest is reduced to 12.5 percent?

A That's right.

Q With regard to an unorthodox location proposed by the Applicant, it's not your position here, is it, that this well should be penalized because of its location?

A What do you mean penalized?

Q Well, let's assume an offsetting operator had not consented to the unorthodox location because of the advantages gained by the Applicant in his particular location, it might be appropriate to penalize the well a percentage in order to keep him from getting an unfair advantage to correlative rights of others. That's certainly not your position here, is it?

A No. The position is basically a one well on the east side. I think I could sum it up that way.

Q You have looked at Mr. Harben's geology and I believe you said you were in agreement as to his Exhibit No. 5, were

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you not?

A No, sir. His statement was made that it is a dry hole and I wanted to agree that it is a dry hole. I didn't say anything about Exhibit 5 which I have a little trouble with the 20, 30 or 40 feet of clean pay on the thing. I think here we must talk about net pay, which I object to Exhibit No. 5 as it may be clean, but it's certainly not net, as I see it.

Q You have no Exhibits or other data here today to indicate that a standard location would be preferable geological location?

A No, sir, I don't. The way the -- we were -- we thought maybe this would be presented as a forced pooling, not just unorthodox location. The whole thing is we didn't object -- we object to the north half being there.

Q I understand. For your information, Mr. Scholl, forced pooling application has been filed on behalf of the Applicant. It tentatively should be heard on the 13th of February. It would certainly be our position here at this Hearing, that if possible, we would like to continue the determination of the acreage to be dedicated to the well. In other words, whether the north half or the east half. Let that issue be determined at the subsequent Hearing.

MR. HINKLE: I think it ought to be continued as to the whole Application, because it makes a difference on your location there, whether you dedicate the east half or the north half.

MR. STAMETS: Would it be appropriate for Monsanto to stake a location on the east half and file a suit then?

MR. KELLAHIN: Well, I have difficulty understanding why the configuration of the proposed unit would have any effect by our particular location.

MR. HINKLE: In location, the normal location, would be a difference because you're -- it's north and south and east and west. 1,980 from the north line and 660 from the east line.

MR. STAMETS: As Mr. Kellahin indicated, Application for this pooling has been filed and that was forced pooling for what acreage?

MR. KELLAHIN: The north half.

MR. STAMETS: That pretty well takes care of that. That locks in. We are speaking only of the north half at this time, in this location as it relates to the north half.

MR. KELLAHIN: Exactly right.

BY MR. KELLAHIN:

Q Mr. Scholl, you mentioned that the northwest section

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was non-productive. Why, from structural position or from porosity or permeability?

A From permeability and in the proving of that well, the Kincaid Well, Western States Kincaid.

Q In your opinion, Mr. Scholl, any gas under the southwest quarter of Section 16?

A I can't answer that.

Q You don't have an opinion as to whether there is?

A No, sir.

Q Does Monsanto, as an alternative, propose a standard location in the south half of Section 16?

A No, sir. A standard location would be 1,980 from the north and 660 from the east and on the east half. That would be a normal location for the east half drilling unit.

(Whereupon, a discussion was  
held off the record.)

Q Mr. Scholl, if you drill a location in the north half of 16 as you propose, how will we ever develop the south half of 16?

A Well, we will drain the south half -- I mean the east half -- the east half will be drained.

Q What about the west half then, Mr. Scholl?

A We already got the dry hole.

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Q Does that dry hole condemn the whole west half?

A I don't know.

CROSS EXAMINATION

BY MR. STAMETS:

Q Mr. Scholl, will Monsanto voluntarily agree to the drilling of the proposed well as a non-standard location in the north half of Section 16?

A We would, but coupled with that is the north half. If we divorce the two and dedicate the east half, we would certainly oppose it, because we feel that there is a location --

Q Would you agree to a drilling of the well at the non-standard location if the east half were dedicated?

A If the east half?

Q Yes.

A Yes.

Q So, you're not objecting to the location, only the dedication?

A Let's put it this way: We feel it is a location, 1,980 from the north and 660 from the east. If somebody wanted to drill from the north, I think it would also drain the east half.

Q I'm confused. You have talked about drilling a well at a standard location in the east half?

SCHOLL-CROSS

A Yes, sir.

Q Okay. But if the Application today was for a non-standard location, exactly where the well is located, with dedication to the east half, you would have no objection to that?

MR. HINKLE: I think they would waive their present objection if the east half were going to be dedicated to the well.

MR. STAMETS: Okay.

MR. HINKLE: If they are not going that way, we intend to file forced pooling for the east half of the standard location.

MR. STAMETS: Okay. That clarifies it.

Do you have any additional questions? If there's nothing more the witness may be excused.

(Witness excused.)

MR. STAMETS: Anyone have any additional testimony or statements in this case?

MR. KELLAHIN: I have a brief statement.

MR. STAMETS: Mr. Kellahin?

MR. KELLAHIN: It is Coquina's position that the only testimony presented here was that an unorthodox location was a preferable location for the northeast quarter in order

to develop this section and that that portion of this Application should be granted and that Coquina should be given an opportunity to go ahead and commence drilling the well at an unorthodox location, and that after hearing the Application for compulsory pooling on the 13th of February, the acreage to be dedicated to this well can then be determined, whether to be the north half of Section 16 or whether to the east half of Section 16. The location as indicated by Mr. Scholl really wouldn't change.

MR. HINKLE: Would you amend your application to make an alternative and the alternative to be the east half designated?

MR. KELLAHIN: Well, sir, we'll let it remain the north half.

MR. STAMETS: Do you have any closing statement, Mr. Hinkle?

MR. HINKLE: I think it's going to be Monsanto's position that we will file immediately forced pooling action for a standard location in the northeast quarter of Section 16 to dedicate the east half of 16 to the well.

MR. STAMETS: If there is nothing further in this case --

MR. DERRYBERRY: (Interrupting) No, I have one

question of Mr. Kellahin, is any time constraints that require that immediate drilling of this well?

MR. KELLAHIN: That's a terrible leading question.

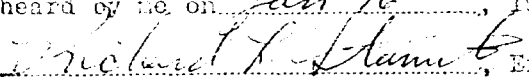
We have no lease expiration date.

MR. STAMETS: If there is nothing further, we will take the case under advisement.

STATE OF NEW MEXICO )  
COUNTY OF SANTA FE } ss.

I, RICHARD L. NYE, Court 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.

  
RICHARD L. NYE, Court Reporter

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 5748 heard by me on Jan 16, 1974.  
  
Michael L. Hammett, Examiner  
New Mexico Oil Conservation Commission

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**OIL CONSERVATION COMMISSION**

STATE OF NEW MEXICO  
P. O. BOX 2088 - SANTA FE  
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**February 22, 1974**

**L. R. TRUJILLO**  
**CHAIRMAN**  
**LAND COMMISSIONER**  
**ALEX J. ARMIJO**  
**MEMBER**  
**STATE GEOLOGIST**  
**A. L. PORTER, JR.**  
**SECRETARY - DIRECTOR**

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

Re: CASE NO. 5148  
ORDER NO. R-4728  
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	<u>                        </u>

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. 5148  
Order No. R-4728

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

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on January 16, 1974, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 21st day of February, 1974, 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 approval of a gas well location 990 feet from the North line and 990 feet from the East line of Section 16, Township 19 South, Range 25 East, NMPM, to test the Morrow formation, Boyd-Morrow Gas Pool, Eddy County, New Mexico.

(3) That the N/2 of said Section 16 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.

(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.

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CASE NO. 5148  
Order No. R-4728

IT IS THEREFORE ORDERED:

(1) That an unorthodox gas well location for the Morrow formation is hereby approved for a well to be located at a point 990 feet from the North line and 990 feet from the East line of Section 16, Township 19 South, Range 25 East, NMPM, Boyd-Morrow Gas Pool, Eddy County, New Mexico.

(2) That the N/2 of said Section 16 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

I. R. TRUJILLO, Chairman



ALEX J. ARMIJO, Member

A. L. PORTER, JR., Member & Secretary

S E A L

jr/

CASE 5145: Application of Texas Pacific Oil Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Devonian formation in the perforated interval from 10,872 feet to 11,032 feet in its State "B" Well No. 2 located in Unit B of Section 11, Township 12 South, Range 33 East, Bagley Siluro-Devonian Pool, Lea County, New Mexico.

CASE 4969: (Reopened)

In the matter of Case No. 4969 being reopened pursuant to the provisions of Order No. R-4557, which order established a temporary special depth bracket allowable for the Tocito Dome-Pennsylvanian "D" Oil Pool, San Juan County, New Mexico. All interested parties may appear and show cause why the special allowable should be made permanent.

CASE 5146: Application of Midwest Oil Corporation for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Target Unit Area comprising 5120 acres, more or less, of State and Federal lands in Townships 25 and 26 South, Range 25 East, Eddy County, New Mexico.

CASE 5147: Application of Mesa Petroleum Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the S/2 of Section 12, Township 16 South, Range 35 East, North Shoe Bar Field, Lea County, New Mexico, to be dedicated to a well to be drilled at a standard location for said unit in Unit O of said Section 12. 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 5148: Application of Coquina Oil Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill a well at an unorthodox gas well location 990 feet from the North and East lines of Section 16, Township 19 South, Range 25 East, Boyd-Morrow Gas Pool, Eddy County, New Mexico, the N/2 of said Section 16 to be dedicated to said well.

CASE 5149: 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 in the Pennsylvanian formation underlying the N/2 of Section 33, Township 21 South, Range 27 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard Pennsylvanian gas well location for said unit. 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.

Examiner Hearing - Wednesday - January 16, 1974

Docket No. 2-74  
-4-

- CASE 5150: Application of Hanson Oil Corporation 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 Queen formation through 10 wells in its Mesalero Ridge Unit Area in Sections 26 and 35, Township 19 South, Range 34 East, Pearl-Queen Pool, Lea County, New Mexico.
- CASE 5151: Application of Penroc Oil Corporation for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause seeks approval for the dual completion (conventional) of its Dero-Federal A-Com Well No. 1, located in Unit N of Section 35, Township 19 South, Range 28 East, Eddy County, New Mexico, in such a manner as to produce gas from the Winchester-Wolfcamp gas pool and an undesignated Strawn gas pool through the casing-tubing annulus and through tubing.
- CASE 5152: Application of Petro-Lewis Corporation for a Special Depth Bracket Allowable, Media-Entrada Oil Pool, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks a special depth bracket allowable for the Media-Entrada Oil Pool, Township 19 North, Range 3 West, Sandoval County, New Mexico.
- CASE 5140: (Continued from the January 3, 1974, Examiner Hearing)  
Application of Pierce & Dehlinger for compulsory pooling, Vada-Pennsylvanian Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Vada-Pennsylvanian Pool underlying the NW/4 of Section 24, Township 9 South, Range 33 East, Lea County, New Mexico, to be dedicated to the King Resources Sheridan Well No. 1-A located in Unit C of said Section 24. Also to be considered is designation of the applicant as operator of the NW/4 of said Section 24 and the well located thereon, provision for allocation of actual operating costs and charges for a 200% charge attributable to any non-consenting working interest owner's pro rata share of said workover costs, for the risk involved in said workover.
- CASE 4956: (Reopened) (Continued from the January 3, 1974, Examiner Hearing)  
Application of Pierce & Dehlinger for a determination of well costs, Lea County, New Mexico. Applicant, as operator of the Sheridan Well No. 1 located in Unit M of Section 13, Township 9 South, Range 33 East, Lea County, New Mexico, to which well is dedicated the SW/4 of said Section 13, all mineral interests in the Vada-Pennsylvanian Pool thereunder having been pooled by Commission Order No. R-4560, seeks the determination of reasonable well costs attributable to applicant and to King Resources, including, but not limited to, the costs of reworking and placing said Sheridan Well No. 1 back on production and attorneys fees in connection therewith. Applicant further seeks an order assessing, as a charge for the risk involved in the reworking of the well, 120% of the pro rata share of the reasonable well costs attributable to the working interest of King Resources.

DOCKET: EXAMINER HEARING - WEDNESDAY - JANUARY 16, 1974

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

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

- ALLOWABLE: (1) Consideration of the allowable production of gas for February, 1974, from fifteen 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 February, 1974.

CASE 5110: (Continued from the November 15, 1973, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider extending the horizontal limits of the Washington Ranch-Morrow Gas Pool, Eddy County, New Mexico, to include the S/2 of Section 28, Township 25 South, Range 24 East.

Also to be considered will be the institution of gas prorationing in said pool to provide for fixing the total allowable natural gas production from said pool to an amount equal to reasonable market demand and to the capacity of the gas transportation facilities. Also to be considered will be the adoption of special rules and regulations for said pool including a provision for allocating the allowable production among the wells in the pool.

CASE 5111: (Continued from the November 15, 1973, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider extending the horizontal limits of the Burton Flats-Morrow Gas Pool, Eddy County, New Mexico, to include the S/2 of Section 34, Township 20 South, Range 28 East, and the N/2 of Sections 8 and 9, and all of Section 10, Township 21 South, Range 27 East.

Also to be considered will be the institution of gas prorationing in said pool to provide for fixing the total allowable natural gas production from said pool to an amount equal to reasonable market demand and to the capacity of the gas transportation facilities. Also to be considered will be the adoption of special rules and regulations for said pool including a provision for allocating the allowable production among the wells in the pool.

CASE 5112: (Continued from the November 15, 1973, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider extending the horizontal limits of the Burton Flats-Strawn Gas Pool, Eddy County, New Mexico, to include all of Section 10, Township 21 South, Range 27 East.

(Case 5112 continued from Page 1)

Also to be considered will be the institution of gas prorationing in said pool to provide for fixing the total allowable natural gas production from said pool to an amount equal to reasonable market demand and to the capacity of the gas transportation facilities. Also to be considered will be the adoption of special rules and regulations for said pool including a provision for allocating the allowable production among the wells in the pool.

CASE 5113: (Continued from the November 15, 1973, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the institution of gas prorationing in the Burton Flats-Atoka Gas Pool, Eddy County, New Mexico, and to provide for fixing the total allowable natural gas production from said pool to an amount equal to reasonable market demand and to the capacity of the gas transportation facilities. Also to be considered will be the adoption of special rules and regulations for said pool including a provision for allocating the allowable production among the wells in the pool.

CASE 5124: (Continued from the November 28, 1973, Examiner Hearing)

Application of Belco Petroleum Corporation for compulsory pooling and an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the S/2 of Section 30, Township 20 South, Range 33 East, South Salt Lake-Morrow Gas Pool, Lea County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location 660 feet from the South line and 1300 feet from the East line of said Section 30. 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 5143: Application of El Paso Natural Gas 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 proposed Rocky Arroyo "D" Com. Well No. 2 in the center of Unit L of Section 4, Township 22 South, Range 22 East, Rocky Arroyo-Morrow Gas Pool, Eddy County, New Mexico, the S/2 of said Section 4 to be dedicated to the well.

CASE 5144: Application of Depco, Inc. for two waterflood projects, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute two waterflood projects by the injection of water into the Grayburg-San Andres formation through six wells located on applicant's State 647 lease in Sections 31 and 32, Township 17 South, Range 28 East, Artesia Pool, Eddy County, New Mexico, and through one well on the Kersey and Company Ramapo "A" Lease in said Section 32.

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SECRETARY

COQUINA OIL CORPORATION

BUILDING OF THE SOUTHWEST  
MIDLAND, TEXAS 79701

(AC) 915 683-4661

December 19, 1973

Re: Boyd Prospect  
N/2 Section 16, T-19-S, R-25-E,  
Eddy County, New Mexico

Yates Petroleum Corporation  
207 South 4th Street  
Artesia, New Mexico 88210

Attention: Mr. Jack McCaw

Gentlemen:

Pursuant to your recent farmout agreement covering your acreage in the E/2 NE/4 of the captioned section, Coquina Oil Corporation herewith requests an extension of the commencement date and also a waiver of unorthodox location. We have filed for a location 990' from the east line and 990' from the north line of said Section 16, which hearing will be heard on January 30, 1974.

It is requested that the commencement under the terms of your farmout agreement be extended to March 1, 1974.

Sincerely,

COQUINA OIL CORPORATION

*F. Ferrell Davis*  
F. Ferrell Davis

FFD:lj

January 9, 1974

RECEIVED

JAN 10 1974

Yates Petroleum Corporation has no objection to unorthodox location set out above.

Commencement date under terms of subject Farmout Letter extended to March 1, 1974. All other terms and provisions remain the same.

YATES PETROLEUM CORPORATION

By: *Stanley Kump*  
Land Department

# MIDWEST OIL CORPORATION

1500 WILCO BUILDING  
MIDLAND, TEXAS 79701

January 2, 1974

Coquina Oil Corporation  
Building of the Southwest  
Midland, Texas 79701

Attention: Mr. F. Ferrell Davis

Re: L-14558, State of New Mexico  
Farmout Agreement  
EDDY COUNTY, NEW MEXICO

Gentlemen:

You have requested an extension of spud date for the first test well to be drilled under the terms of our Farmout Agreement with you dated December 6, 1973. This is to advise you that paragraph II of said agreement is hereby amended to provide that your first test well is to be commenced on or before March 1, 1974.

You also have requested Midwest's waiver of unorthodox location as to the test well under the above said Farmout Agreement. Midwest does hereby grant you such waiver of unorthodox location.

Except as here amended, all the terms and conditions of said Farmout Agreement shall remain in full force and effect.

Yours very truly,

MIDWEST OIL CORPORATION

*David A. Ward*

David A. Ward  
Landman

DAW/pd

BEFORE EXAMINER STAMETS	
OIL CONSERVATION COMMISSION	
Coquina	EXHIBIT NO. <u>3</u>
CASE NO.	<u>5148</u>
Submitted by	_____
Hearing Date	<u>16 Jan 74</u>

WHITAKER & BROOKS  
LAWYERS  
608 FIRST NATIONAL BANK BLDG.  
MIDLAND, TEXAS  
79701

ED M. WHITAKER  
RICHARD S. BROOKS  
TELEPHONE 682-5285  
AREA CODE 915

January 11, 1974

Mr. F. Ferrell Davis  
Coquina Oil Corporation  
200 Building of the Southwest  
Midland, Texas 79701

In re: Coquina Oil Corporation -  
Boyd X-1, 990' FN&EL Section 16,  
T-19-S, R-25-E, Eddy County,  
New Mexico

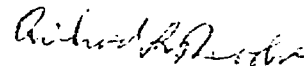
Dear Mr. Davis:

You advise that Coquina Oil Corporation has an application pending before the New Mexico Oil Conservation Commission for permit to drill a Morrow Well for oil and gas at the captioned location.

Our client, David Fasken, waives notice of such application and consents to the granting of such permit for unorthodox location by the New Mexico Oil Conservation Commission.

Yours truly,

WHITAKER & BROOKS



Richard S. Brooks

RSB:mz

BEFORE EXAMINER STAMETS	
OIL CONSERVATION COMMISSION	
Coquina	EXHIBIT NO. 4
CASE NO.	5148
Submitted by	
Hearing Date	16 Jan 74

BEFORE THE  
OIL CONSERVATION COMMISSION OF NEW MEXICO

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

A P P L I C A T I O N

COMES NOW Coquina Oil Corporation and applies to the Oil Conservation Commission of New Mexico for authority to drill a Morrow gas well at an unorthodox location, 990 feet from the North Line and 990 feet from the East Line of Section 16, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico, and in support thereof would show the Commission:

1. Applicant is the owner of the working interest in the underlying N/2 of said Section 16 which is to be dedicated to the well.

2. Applicant proposes to drill a well to test the Boyd-Morrow Gas Pool at an unorthodox well location 990 feet from the North and East Lines of Section 16, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico.

3. Applicant's requested location will more readily enable applicant to efficiently and economically drain the N/2 of said Section 16.

4. Approval of this application will result in the recovery of gas not otherwise recoverable and will prevent waste and will not impair correlative rights.

DOCKET MAILED


Date 1-4-74

WHEREFORE, applicant respectfully requests that this application be set for hearing before the Commission's duly appointed examiner and that after notice and hearing as required by law, the Commission enter its order granting the relief requested.

Respectfully submitted,

COQUINA OIL CORPORATION

By



KELLAHIN & FOX

P. O. Box 1769

Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANT

DRAFT

dr/

(de)

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:

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

CASE NO. 5148

Order No. R-4728

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on January 16, 1974,  
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this day of January, 1974, 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  
approval of a gas well location 990 feet from the North line  
and 990 feet from the East line of Section 16, Township 19  
South, Range 25 East, NMPM, to test the Morrow formation,  
Boyd-Morrow Gas Pool, Eddy County, New Mexico.

Case No. 5148  
Order No. R-

(3) That the N/2 of said Section 16 is to be dedicated to the well.

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

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

(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 Morrow formation is hereby approved for a well to be located at a point 990 feet from the North line and 990 feet from the East line of Section 16, Township 19 South, Range 25 East, NMPM, Boyd-Morrow Gas Pool, Eddy County, New Mexico.

(2) That the N/2 of said Section 16 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.