CASE 6740: HONDO OIL AND GAS COMPANY FOR AN UNORTHODOX GAS WELL LOCATION, EDDY COUNTY, NEW MEXICO .

Case NO. 6740Application Transcripts. Small Exhibits ETC.



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LARRY KEHOE

STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION

POST OFFICE BOX 2088 GTATE LAND OFFICE BUILDING BANTA FE, NEW MEXICO 87501 (505) 827-2434

January 10, 1980

Re:

Mr. Conrad E. Coffield Hinkle, Cox, Eaton, Coffield & Hensley Attorneys at Law P. O. Box 3580 Midland, Texas 79702

CASE I	NO.	. 67	40	
ORDER	NO. I	R-62	36	
-				

Applicant:

Hondo Oil and Gas Company

Dear Sir:

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

Ppurs very truly, 1 JOE D. RAMEY Director

JDR/fd

Copy of order also sent to:

х Hobbs OCD Artesia $O\overline{CD}$ x Aztec OCD

Other

STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

> CASE NO. 6740 Order No. R-6236

APPLICATION OF HONDO OIL AND GAS COMPANY FOR AN UNORTHODOX GAS WELL LOCATION, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on November 28, 1979, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this <u>9th</u> day of January, 1980, the Division Director, 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 Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Hondo Oil and Gas Company, seeks approval of an unorthodox gas well location for its Federal 10 Well No. 1 to be located 1550 feet from the North line and 660 feet from the West line of Section 10, Township 18 South, Range 28 East, NMPM, to test the Pennsylvanian formation, Eddy County, New Maxico.

(3) That the N/2 of said Section 10 is to be dedicated to the well.

(4) That a well at said unorthodox location will not enable applicant to efficiently and effectively drain the dedicated proration unit.

(5) That dedication of the W/2 of said Section 10 would be more appropriate.

-2-Case No. 6740 Order No. R-6236

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(6) That the subject application should be denied.

IT IS THEREFORE ORDERED:

(1) That the application of Hondo Oil and Gas Company for an unorthodox gas well location for its Federal 10 Well No. 1 to be located at a point 1550 feet from the North line and 660 feet from the West line of Section 10, Township 18 South, Range 28 East, NMPM, Eddy County, New Mexico, is hereby denied.

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

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

STATE OF NEW MEXICO OIL CONSERVATION DIVISION come JOE D. RAMEY Director

STATE OF NEW MEXICO 1 ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION 2 STATE LAND OFFICE BLDG. SANTA FE, NEW MEXICO 28 November 1979 EXAMINER HEARING 5 6 } IN THE MATTER OF: 7 Application of Hondo Oil and Gas) CASE Company for an unorthodox gas) 6740 8 well location, Eddy County, New 1 Mexico.) 9) 10 _____ 11 BEFORE: Richard L. Stamets 12 13 TRANSCRIPT OF HEARING 14 15 APPEARANCES 16 17 For the Oil Conservation Ernest L. Padilla, Esq. Legal Counsel for the Division Division: 18 State Land Office Bldg. Santa Fe, New Mexico 87501 19 20 Conrad Coffield, Esq. For the Applicant: 21 HINKLE LAW FIRM P. O. Box 3580 22 Midland, Texas 23 24 25

LY WALTON BOYD NED SHOATHAND NEPORTER NEM BIABON (5.61) 471-5461 12 Po, Now Marico 57561

INDEX

MIKE N. WHITE

Direct Examination by Mr. Coffield

Cross Examination by Mr. Stamets

SALLY WALTON BOYD CENTIPLED SHONTHAND REPONTEL 10307 Park Binnes (105) 471-346 Sania Pe, New Medido 17161

EXHIBITS

Applicant	Exhibit	One, C-102
Applicant	Exhibit	Two, Plat
Applicant	Exhibit	Three, Map
Applicant	Exhibit	Four, Cross Section
Applicant	Exhibit	Five, Isopach

	Page3
1	MR. STAMETS: We'll call now Case 6740.
2	MR, PADILLA: Application of Hondo Oil and
3	Gas Company for an unorthodox gas well location, Eddy County,
4	New Mexico.
5	MR, COFFIELD: Conrad Coffield, with the
6	Hinkle Law Firm in Midland, Texas, appearing on behalf of
7	Hondo Oil and Gas Company, and I have one witness to be
8	sworn.
9	MR. STAMETS: Any other appearances in
10	this case?
11	I'd like to have the witness stand and be
12	sworn, please.
13	
14	(Witness sworn.)
15	
16	MIKE N. WHITE
17	being called as a witness and having been duly sworn upon his
18	oath, testified as follows, to-wit:
19	
20	DIRECT EXAMINATION
21	BY MR. COFFIELD:
22	Q. Mr. White, would you please state your
23	name, address, occupation, and employer?
24	A. My name is Mike N. White and I reside in
25	Midland, Texas, and I'm employed by Hondo Oil and Gas Company.

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SALLY WALTON BOYD CENTFYED SHONTHAND REPORTER 2010 Place Blaces (2015) 411-5445 Senia Pe, New Mexico 57501

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1	Q. And what is your position?				
2	A. Petroleum Engineer.				
3	Q Have you previously testified before the				
4	Division as a petroleum engineer, Mr. White?				
5	A No, I have not.				
6	Q. Would you please tell the Examiner briefly				
7	what your educational background is and work experience as				
8	a petroleum engineer?				
9	A. I received a BS in petroleum engineering				
10	from the University of Kansas. I've worked approximately a				
11	year and a half since then for Hondo Oil and Gas Company, one				
12	year in Tulsa, Oklahoma, and the last five months working in				
13	the Eddy County area.				
14	Q. Mr. White, are you familiar with Hondo's				
15	application in this particular case?				
16	A. Yes, I am.				
17	Q. Are you familiar with the property involved				
18	and the proposed well location?				
19	A. Yes.				
20	MR. COFFIELD: Mr. Examiner, is the witness				
21	considered qualified?				
22	MR. STAMETS: Yes.				
23	Q. Mr. White, what is it that Hondo Oil and				
24	Gas Company seeks by this application?				
25	A. We seek approval of an unorthodox well				

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SALLY WALTON BOYD CENTIFRE SHORTHAND REPORTER 2019 Flats Bhinda (010) 011-0402 Basta Po, New Mexico 57501

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1 location for our Federal 10 No. 1 Well to be drilled at a 2 point 1550 feet from the north line and 660 feet from the west line of Section 10, Township 18 South, Range 28 East, 3 New Mexico Prime Meridian, Eddy County, New Mexico, to test 4 the Wolfcamp and Pennsylvanian formations with dedication of the north half of Section 10 to the well.

Mr. White, what is the general basis on Q. which Hondo believes the proposed location is more desireable than the standard location?

A. We believe it will enable us to maximize recovery of gas reserves from the given proration unit.

Refer to what we've marked as Exhibit One Q. and explain that exhibit and tell the Examiner what it represents.

This is New Mexico Oil Conservation Com-A. mission Well Location and Acreage Dedication Plat, Form C-102 This is used here to illustrate the position of the well in relation to section lines and also to show its position relative to what a standard location, such as 1980 feet from the north line and 1980 feet from the west line, would be.

So a standard well location would be Q. located closer to which boundary?

It would be located closer to the east A. section line.

Is Hondo the proposed operator on this

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	1	property?	
	2	A. Hondo is the proposed operator, yes.	
	3	Q Is Hondo also the leasehold owner in this	
	4	particular case?	
	5	A. They are the principal leaseholder. They	
	6	share ownership of the proration unit with Depco, Huskie,	
	7	and Yates Oil Companies.	
	8	Q. Okay, Mr. White, that leads us to Exhibit	
	9	Number Two. Would you please refer to Exhibit Number Two	l
	10	and explain that to the Examiner?	
	11	A. Exhibit Number Two is a plat showing the	
	12	offset operators to the proposed Federal 10 No. 1 Well.	
	13	Q. Do you have waivers from any of these off-	
2	14	set operators?	
	15	A. Yes. We have obtained waivers from Yates,	1
	16	also from Aminoil, American Petrofina, and there's one more.	
	17	And Huskie Oil Company.	l
	18	0. So far as you know, has anybody voiced any	
	19	objection?	:
	20	A. No, they have not. When we prepared the	I
	21	proposed location I contacted Depco, Huskie, and Yates by	
	22	telephone, representives from those companies, and they all	
	23	gave verbal agreement to the location. As I said, we have	
	24	received the Waiver from Huskie.	
	25	Q. Okay, Mr White, go on to what we have	
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SALLY WALTON BOYD CERTIFIED SHORTHAND REPORTER 2020 Place (545) 471-5462 Sama Po, Now Modios 57501

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A. Exhibit Number Three is a generalized
 channel sand trend map of our main pay objective, the Cycle
 Two section of the Morrow Sand. It is also referred to as
 the Middle Morrow.

This plat is derived from geological and geophysical data and shows what we believe to be the main channels of this deltaic sand deposit.

We further believe the middle channel to be the thicker -- to be thicker than the flag channels on either side, and this is the basis for the position of our proposed location.

Q. With reference to this Exhibit Three, Mr. White, what problems do you believe would ensue if Hondo drilled the proposed well in a standard location?

A. Well, as can be seen from this exhibit, if you move in an easterly direction, you're moving out of what we believe to be the main sand channel; therefore, that would make a standard location a more risky and less productive proposition.

22 0. Go on now to what we've marked as Exhibit
23 Four, if you would, please, Mr. White, and explain that ex24 hibit to the Examiner.

A. I'd like to use Exhibit Four to support the

SALLY WALTON BOYD SERTIFIED SHORTHAND REPORTER 010 Plane Blance (191) 471-346 Sante Pe, New Meridoo 87591 3

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1 previous exhibit. If you will note the location of the Exxon State No. 1 and 2 Wells, you can see from Exhibit Three that 2 3 the No. 1 Well appears to be located in the center of our postulated flank channel, while the No. 2 location would ap-5 pear to be closer to the edge, and I believe this is borne out by the cross section of the No. 1 and 2 Wells, where a 7 thicker, more clean section as shown in the No. 1 Well than the No. 2 Well by the logs on the cross section.

This index map on the right, then, corre-Q sponds with the axis on which your cross section is contructed, is that correct?

Yes, it is.

A.

A.

Now, Mr. White, go on to what we've marked Q, as Exhibit Five and explain that for the Examiner, if you would, please.

All right. Exhibit Five is an Isopachous A. map contoured on 10-foot intervals for the gross sand thickness of the Cycle Two section, and this is opposed to the generalized sand trend map, which is -- shows the main channels. The Isopach map would also include cross channels.

21 Do you have anything further to add in con-Q. 22 nection with this particular matter, Mr. White, any addi-23 tional comments that you'd like to make with respect to this application?

Not unless the Examiner has any further

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	Page 9	
1	questions.	
2	Q. Okay, Mr. White, have these Exhibits One	
3	through Five been prepared by you or under your supervision?	
4	A. Yes, they were.	
5	Q. And in your opinion will the approval of	
6	the application be in the interest of conservation and the	
7	prevention of waste and the protection of correlative rights?	
8	A. Yes.	
9	MR. COFFIELD: Mr. Examiner, I move the	
10	admission of Exhibits One through Five.	
11	MR. STAMETS: These exhibits will be ad-	
12	mitted.	
13	MR. COFFIELD: I have no additional ques-	
14	tions of Mr. White.	,
15		
16	CROSS EXAMINATION	
17	BY MR. STAMETS:	
18	Q Mr. White, why didn't Hondo dedicate the	
	west half of Section 10?	
	A. If I could, I would like to consult my	
	attorney and someone from my company before I answer that	
	question.	
	MR. STAMETS: Feel free,	
	A. Okay. Yes, sir, Mr. Examiner, the reason	
20	we did not dedicate the west half to the proposed location is	
	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17	questions. 2 Q 0 Okay, Mr. White, have these Exhibits One 1 through Five been prepared by you or under your supervision? 1 A 2 Q 1 A 2 Q 3 through Five been prepared by you or under your supervision? 4 A 4 Yes, they were. 5 Q 4 And in your opinion will the approval of 5 Q 6 the application be in the interest of conservation and the 7 prevention of waste and the protection of correlative rights? 8 A 9 MR. COFFIELD: Mr. Examiner, I move the admission of Exhibits One through Five. II 11 MR. STAMETS: These exhibits will be ad- 12 MR. COFFIELD: I have no additional ques- 13 MF. COFFIELD: I have no additional ques- 14 tions of Mr. White. 15 CROSS EXAMINATION 16 CROSS EXAMINATION 17 BY MR. STAMETS: 18 Mr. White, why didn't Hondo dedicate

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1 that we want to maximize recovery from the section and we 2 believe that further drilling in the south half of the west proration unit will enable us to do that, and we could not 3 do that if we had a west half proration unit. 5 You could have infill drilling. Q. I believe we'd have to reduce the spacing Α. 7 in the proration unit to do that, wouldn't we? 8 No. As far as I know, you could infill 0. 9 drill in there on 160 and simply dedicate the same proration 10 unit to the well, just as I would assume that eventually you 11 are going to want to drill in that channel that runs down 12 the west side -- or the east side of Section 10. 13 That is a possibility. A. 14 And likewise, you feel that this would give Q 15 you the best chance for developing this section. 16 That is correct. This is what we believe A. 17 to be the best first step. 18 One minor problem that you may have noted Q. 19 here, I see your application was for Wolfcamp and Pennsyl-20 vanian, but I see the docket says Pennsylvanian, which leads 21 me to believe that perhapd the advertisement said just 22 Pennsylvanian. If this should have happened to have been 23 limited to the Pennsylvanian by the advertisement, is that 24

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any real problem?

A.

We would naturally like to leave the pos-

 sibility of the Wolfcamp open, and I don't anticipate any problem with that, no. Q Okay, I'll check that out and see what the advertisement says and we'll do what we can in this case. A Thank you, sir. MR. STAMETS: Any other questions of the witness? He may be excused. Anything further in this case? The case will be taken under advisement. 	
 Q. Okay, I'll check that out and see what the advertisement says and we'll do what we can in this case. A. Thank you, sir. MR. STAMETS: Any other questions of the witness? He may be excused. Anything further in this case? The case will be taken under advisement. 	
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 A. Thank you, sir. MR. STAMETS: Any other questions of the witness? He may be excused. Anything further in this case? The case will be taken under advisement. 	
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 7 witness? He may be excused. 8 Anything further in this case? 9 The case will be taken under advisement. 	
8 Anything further in this case? 9 The case will be taken under advisement.	
9 The case will be taken under advisement.	
Witness excused.)	
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REPORTER'S CERTIFICATE

I, SALLY W. BOYD, a Certified Shorthand Reporter, DO HEREBY CERTIFY that the foregoing and attached Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability from my notes taken at the time of the hearing.

Sally W. Boyd C.J.R. sally W. Boyd, C.S.R.

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I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case so, 6.746heard by me on 11-28 19.79 Multure Northern Examiner

Oll Conservation Division

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	HER HEARING	
IN THE MATTER OF:)	
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Application of Hor Company for an und well location, Edd Mexico.	orthodox gas)	CASE 6740
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BEFORE: Richard L. Stamets		
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	RIPT OF HEARING	
	CARANCES	a, Esq.
АРРІ	EARANCES Ernest L. Padill Legal Counsel fo	r the Di
A P P I For the Oil Conservation	EARANCES Ernest L. Padill	r the Di e Bldg.
A P P I For the Oil Conservation	E A R A N C E S Ernest L. Padill Legal Counsel fo State Land Offic	r the Di e Bldg.
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A P P I For the Oil Conservation	E A R A N C E S Ernest L. Padill Legal Counsel fo State Land Offic Santa Fe, New Me Conrad Coffield, HINKLE LAW FIRM	r the Di e Eldg. xico 875
APPI For the Oil Conservation Division:	C A R A N C E S Ernest L. Padill Legal Counsel fo State Land Offic Santa Fe, New Me Conrad Coffield, HINKLE LAW FIRM P. O. Box 3580	r the Di e Eldg. xico 875
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General Court Reporting Service General Court Reporting Service Seate Fe, New Mexico 87501

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Direct Examination by Mr. Coffield

Cross Examination by Mr. Stamets

EXHIBITS

Applicant Exhibit One, C-102
Applicant Exhibit Two, Plat
Applicant Exhibit Three, Map
Applicant Exhibit Four, Cross Section
Applicant Exhibit Five, Isopach

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	1	0 And what is your position?	
	2	A. Petroleum Engineer.	
	3	Q Have you previously testified before the	
	5	Division as a petroleum engineer, Mr. White?	
	6	A. No, I have not.	
	7	Q Would you please tell the Examiner briefly	
	8	what your educational background is and work experience as	
	9	a petroleum engineer?	
	10	A. I received a BS in petroleum engineering	
4	11	from the University of Kansas. I've worked approximately a	
	12	year and a half since then for Hondo Oil and Gas Company, one	
rbose (505) a	13	year in Tulsa, Oklahoma, and the last five months working in	
Log L	14	the Eddy County area. ß Mr. White, are you familiar with Hondo's	
	15	A Mr. White, are you familiar with Hondo's application in this particular case?	
	16	A. Yes, I am.	
	17	() Are you familiar with the property involved	
	18	and the proposed well location?	
	19	A. Yes.	
	20	MR. COFFIELD: Mr. Examiner, is the witness	
	21	considered qualified?	
	22	MR. STAMETS: Yes.	
	23	0. Mr. White, what is it that Hondo Oil and	
	24	Gas Company seeks by this application?	
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General Court Reporting Service General Court Reporting Service Phone (305) Gata Fe, New Mexico 87501

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Q Mr. White, what is the general basis on which Hondo believes the proposed location is more desireable than the standard location?

A. We believe it will enable us to maximize recovery of gas reserves from the given proration unit.

Q. Refer to what we've marked as Exhibit One and explain that exhibit and tell the Examiner what it represents.

A. This is New Mexico Oil Conservation Commission Well Location and Acreage Dedication Plat, Form C-102. This is used here to illustrate the position of the well in relation to section lines and also to show its position relative to what a standard location, such as 1980 feet from the north line and 1980 feet from the west line, would be.

0. So a standard well location would be located closer to which boundary?

A. It would be located closer to the east section line.

Is Hondo the proposed operator on this

General Court Reporting Service Santa Fe, New Mexico (Phone (505) With the 2

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property?

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A. Hondo is the proposed operator, yes.

0. Is Hondo also the leasehold owner in this particular case?

A. They are the principal leaseholder. They share ownership of the proration unit with Depco, Huskie, and Yates Oil Companies.

Q Okay, Mr. White, that leads us to Exhibit Number Two. Would you please refer to Exhibit Number Two and explain that to the Examiner?

A. Exhibit Number Two is a plat showing the offset operators to the proposed Federal 10 No. 1 Well.

Q Do you have waivers from any of these offset operators?

A. Yes. We have obtained waivers from Yates, also from Aminoil, American Petrofina, and there's one more. And Huskie Oil Company.

Q So far as you know, has anybody voiced any objection?

A No, they have not. When we prepared the proposed location I contacted Depco, Huskie, and Yates by telephone, representives from those companies, and they all gave verbal agreement to the location. As I said, we have received the waiver from Huskie.

Q. Okay, Mr White, go on to what we have

marked as Exhibit Three and explain that exhibit to the Examiner, please.

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Two section of the Morrow Sand. It is also referred to as
the Middle Morrow.

This plat is derived from geological and geophysical data and shows what we believe to be the main channels of this deltaic sand deposit.

We further believe the middle channel to be the thicker -- to be thicker than the flag channels on either side, and this is the basis for the position of our proposed location.

Q With reference to this Exhibit Three, Mr. White, what problems do you believe would ensue if Hondo drilled the proposed well in a standard location?

A Well, as can be seen from this exhibit, if you move in an easterly direction, you're moving out of what we believe to be the main sand channel; therefore, that would make a standard location a more risky and less productive proposition.

Q. Go on now to what we've marked as Exhibit Four, if you would, please, Mr. White, and explain that exhibit to the Examiner.

I'd like to use Exhibit Four to support the

previous exhibit. If you will note the location of the Exxon State No. 1 and 2 Wells, you can see from Exhibit Three that the No. 1 Well appears to be located in the center of our postulated flank channel, while the No. 2 location would appear to be closer to the edge, and I believe this is borne out by the cross section of the No. 1 and 2 Wells, where a thicker, more clean section as shown in the No. 1 Well than the No. 2 Well by the logs on the cross section.

Q This index map on the right, then, corresponds with the axis on which your cross section is contructed, is that correct?

Yes, it is.

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0. Now, Mr. White, go on to what we've marked as Exhibit Five and explain that for the Examiner, if you would, please.

A Mil right. Exhibit Five is an Isopachous map contoured on 10-foot intervals for the gross sand thickness of the Cycle Two section, and this is opposed to the generalized sand trend map, which is -- shows the main channels. The Isopach map would also include cross channels.

n Do you have anything further to add in connection with this particular matter, Mr. White, any additional comments that you'd like to make with respect to this application?

Not unless the Examiner has any further

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1 2 3	questions. Q Ckay, Mr. White, have these Exhibits One
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	through Five been prepared by you or under your supervision?
4	A. Yes, they were.
5	And in your opinion will the approval of
6.	the application be in the interest of conservation and the
7	prevention of waste and the protection of correlative rights?
8	A. Yes.
9	MR. COFFIELD: Mr. Examiner, I move the
10	admission of Exhibits One through Five.
11	MR. STAMETS: These exhibits will be ad-
12	mitted.
13	MR. COFFIELD: I have no additional ques-
14	tions of Mr. White.
15	
16	CROSS EXAMINATION
17	BY MR. STAMETS:
18	Q Mr. White, why didn't Hondo dedicate the
19	west half of Section 10?
20	A If I could, I would like to consult my
21	attorney and someone from my company before I answer that
22	question.
23	MR. STAMETS: Feel free.
24	A. Okay. Yes, sir, Mr. Examiner, the reason
25	we did not dedicate the west half to the proposed location is

General Court Reporting Service General Court Reporting Service Sanin Fe, New Mexico 8750

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that we want to maximize recovery from the section and we believe that further drilling in the south half of the west promation unit will enable us to do that, and we could not do that if we had a west half promation unit.

You could have infill drilling.

A. I believe we'd have to reduce the spacing in the proration unit to do that, wouldn't we?

Q No. As far as I know, you could infill drill in there on 160 and simply dedicate the same proration unit to the well, just as I would assume that eventually you are going to want to drill in that channel that runs down the west side -- or the east side of Section 10.

A That is a possibility.

Q And likewise, you feel that this would give you the best chance for developing this section.

A. That is correct. This is what we believe to be the best first step.

Q One minor problem that you may have noted here, I see your application was for Wolfcamp and Pennsylvanian, but I see the docket says Pennsylvanian, which leads me to believe that perhapd the advertisement said just Pennsylvanian. If this should have happened to have been limited to the Pennsylvanian by the advertisement, is that any real problem?

We would naturally like to leave the pos-

General Court Reporting Service Santa Fe, New Mexico 875 2

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Q.

1 2 3 4 5 6 7 8 9 10 9 10 9 10	problem w	ith that Q ment say A	olfcamp open, and I don't anticipate any , no. Okay, I'll check that out and see what the s and we'll do what we can in this case. Thank you, sir. MR. STAMETS: Any other questions of the be excused. Anything further in this case? The case will be taken under advisement.
12 13 14 14 15 16 17 18 19 20 21 22 23 24			(Witness excused.)
25			

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REPORTER'S CERTIFICATE

I, SALLY W. BOYD, a Certified Shorthand Reporter, DO HEREBY CERTIFY that the foregoing and attached Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability from my notes taken at the time of the hearing.

Sally W. Boyd, C.S.R.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner nearing of Case No. heard by me on_______19

Oil Conservation Division

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Page 2 of 4

Examiner Hearing - Wednesday - November 28, 1979

Docket No. 44-79

CASE 6736: Application of Doyle Bartman for compulsory pooling and a non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Jalmat Gas Pool to form a 360-acre non-standard gas proration unit comprising the S/2 SE/4 of Section 36, Township 24 South, Range 36 East; SW/4 of Section 31, Township 24 South, Range 37 East; and the N/2 NW/4 and NW/4 NE/4 of Section 6, Township 25 South, Range 37 East, to be dedicated to a well to be drilled 660 feet from the South line and 990 feet from the West line of said Section 31. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 6707: (Continued from November 14, 1979, Examiner Rearing)

Application of Gulf 011 Corporation for a unit agreement, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Southeast Bisti Unit Area, comprising 7,048 acres, more or less, of State and Federal lands in Townships 24 and 25 North, Range 10 West.

CASE 6737: Application of Gulf Oil Corporation for compulsory pooling, Lea County, New Mexico.

Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the W/2 of Section 4, Township 19 South, Range 32 East, North Lusk-Morrow Gas Pool, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 6739: Application of Mobil Oil Corporation for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Gavilan-Pictured Cliffs and Blanco Mesaverde production in the wellbore of its Jicarilla D Well No. 1 located in Unit N of Section 24, Township 26 North, Range 3 West. Applicant further seeks the establishment of an administrative procedure for approval of downhole commingling of the aforesaid pools in others of its wells in Sections 7, 8, 17, 18, and 19, Township 26 North, Range 2 West, Sections 1, 2, 11 thru 14, 23, and 24, Township 26 North, Range 3 West, and Sections 11 thru 15, 22 thru 27, 35, and 36, Township 27 North, Range 3 West.

CASE 6740:

Application of Hondo Oil and Gas Company for an unorthodox gas well location, Eddy County, New Nexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a pennsylvanian test well to be drilled 1550 feet from the North line and 660 feet from the West line of Section 10, Township 18 South, Range 28 East, the N/2 or said Section 10 to be dedicated to the well.

- CASE 6741: Application of ARCO Oil and Gas Company for an amendment to Order No. R-6054, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-6054 to amend the findings in said order to make said findings more specific as to the necessity for the drilling of infill wells in the Empire Abo Unit in order to recover additional gas pursuant to the Natural Gas Policy Act of 1978; further to amend said order to make such findings applicable to present and future drilling operations including the drilling of horizontal drainholes.
- CASE 6720: (Continued from November 14, 1979, Examiner Hearing)

Application of ARCO Oil and Gas Company to drill a horizontal drainhole, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval to drill and complete its Empire Abo Unit Well No. J-213, located in Unit E of Section 6, Township 18 South, Range 28 East, Empire-Abo Pool, with a single horizontal drainhole of about 200 feet in length in the Abo formation.

CASE 6742: Application of ARCO Oil and Gas Company for an administrative procedure, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of an administrative procedure for approval of the drilling of horizontal drainholes in the Empire Abo Unit, Empire-Abo Pool.

CASE 6743: (This case will be dismissed.)

Application of Exxon Corporation for an exception to Order No. R-3221, Eddy County, New Mexico, Applicant, in the above-styled cause, seeks an exception to Order No. R-3221 to permit disposal of produced brine in several unlined surface pits located on its Laguna Grande Unit Area in Sections 16, 21, 28, 29, 32, and 33, Township 23 South, Range 29 East.

CASE 6744: Application of Texas Oil & Gas Corporation for special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the Riverside-Morrow Gas Pool to provide for 320-acre spacing rather than 160 acres. In the absence of objection, this pool will be placed on the standard 320-acre spacing for Pennsylvanian gas pools rather than the present 160-acre spacing.

LAW OFFICES

HINKLE, COX, EATON, COFFIELD & HENSLEY

IOOO FIRST NATIONAL BANK TOWER POST OFFICE BOX 3580 MIDLAND, TEXAS 79702 (915) 683-4691 OF COUNSEL

W. E.BONDURANT, JR. (19)4-(973)

ROSWELL, NEW MEXICO OFFICE 600 HINKLE BUILDING

(505) 622-6510

ONLY ATTYS. COFFIELD, MARTIN, BOZARTH, BOHANNON, FOSTER, ALLEN, ALLEN & BURFORD LICENSED IN TEXAS

Case 6240

LEWIS C. COX, JR. PAUL W. EATON, JR. CONTAD E.COFFIELD HAROLD L.HENSLEY, JR. STUART D.SHANOR C.D. MARTIN PAUL J-KELLY, JR JAMES H. BOZARTH DOUGLAS L.LUNSFORD PAUL M. BOHANNON J. DOUGLAS FOSTER K.DOUGLAS PERRIN C. RAY ALLEN JACQUELINE W ALLEN T. CALDER EZZELL, JR. WILLIAM B. BURFORD JOHN SINELSON RICHARD E.OLSON

November 7, 1979

Mr. Dan Nutter Chief Engineer Oil Conservation Division Post Office Box 2088 Santa Fe, New Mexico 87501

Dear Dan:

Transmitted herewith you will find triplicate executed copies of an Application of Hondo Oil & Gas Company for an unorthodox gas well location in Section 10, Township 18 South, Range 28 East, N.M.P.M., Eddy County, New Mexico.

It is my understanding that the docket setting for November 28, 1979 is still available for this matter, and accordingly, we request that it be heard on that date.

I trust that the enclosed copies of the Application are all that is needed in order for this to be set for the November 28, 1979 hearing. However, if anything is needed in addition, please let me know.

VEI

OIL CONSEL VATION DIVISION SANTA FE

CEC:rh Enclosures

xc: Mr. Jerry Tweed Hondo Oil & Gas Company Post Office Box 1610 Midland, Texas 79702 Very truly yours,

HINKLE, COX, EATON, COFFIELD & HENSLEY

Conrad E. Coffield

BEFORE THE OIL CONSERVATION DIVISION OF THE DEPARTMENT OF ENERGY AND MINERALS

STATE OF NEW MEXICO

APPLICATION OF HONDO OIL & GAS COMPANY FOR AN UNORTHODOX WELL LOCATION, EDDY COUNTY, NEW MEXICO

Case 6740

APPLICATION

Hondo Oil & Gas Company hereby makes application for approval of an unorthodox gas well location and states:

 Applicant seeks approval of an unorthodox gas well location for its Federal "10" No. 1 Well to be drilled at a point 1550 feet from the North line and 660 feet from the West line of Section 10, Township 18 South, Range 28 East, N.M.P.M., Eddy County, New Mexico, to test the Wolfcamp and Pennsylvanian formations.

2. That the $N\frac{1}{2}$ of Section 10 is to be dedicated to the well.

3. Approval of the unorthodox location will be in the interest of conservation, prevention of waste and protection of correlative rights.

4. Applicant requests that this matter be heard at the November 28, 1979 Examiner's hearing.

HINKLE, COX, EATON, COFFIELD & HENSLEY

Bv: Conrad E. Coffield

Post Office Box 3580 Midland, Texas 79702 Attorneys for Hondo Oil & Gas Company

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BEFORE THE OIL CONSERVATION DIVISION OF

THE DEPARTMENT OF ENERGY AND MINERALS

STATE OF NEW MEXICO

APPLICATION OF HONDO OIL & GAS COMPANY FOR AN UNORTHODOX WELL LOCATION, EDDY COUNTY, NEW MEXICO

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Case 6740

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4. Applicant requests that this matter be heard at the November 28, 1979 Examiner's hearing.

HINKLE, COX, EATON, COFFIELD & HENSLEY

By: Conrad E. Coffield

Post Office Box 3580 Midland, Texas 79702 Attorneys for Hondo Oil & Gas Company

BEFORE THE OIL CONSERVATION DIVISION OF

THE DEPARTMENT OF ENERGY AND MINERALS

STATE OF NEW MEXICO

APPLICATION OF HONDO OIL & GAS COMPANY FOR AN UNORTHODOX WELL LOCATION, EDDY COUNTY, NEW MEXICO

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HINKLE, COX, EATON, COFFIELD & HENSLEY

By: Conrad E. Coffield

Post Office Box 3580 Midland, Texas 79702 Attorneys for Hondo Oil & Gas Company

Memo From FLORENE DAVIDSON ADMINISTRATIVE SECRETARY \mathcal{D}_{o} Called in by Conrad Coffield 11/2/29 Nondo Oil + Jas Company Unorthodox gas well location Fed. 10 #1 1550/N + 660/W Section 10, T185, R28E N/2 dedicated Pennsylvanian gas test OIL CONSERVATION -COMMISSION-SANTA FE

STATE	OF NEW	MEXICO
ENERGY AND	MINERA	LS DEPARTMENT
OIL CONSE	ERVATIO	N DIVISION

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

		ORDER	NO. R- 6238
PPLICATION C	F HONDO OI	L AND GAS COME	ANY
or an unorth	odox gas we	ELL LOCATION,	Jan
EDDY	COUNT	Y, NEW MEXICO	. Our

ORDER OF THE DIVISION

BY THE DIVISION:

CRAFT

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AL AN

This cause came on for hearing at 9 a.m. on <u>November 28</u>, 1979, at Santa Fe, New Mexico, before Examiner <u>Richard L. Stamet</u> NOW, on this <u>day of</u>, 1979, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

CASE NO.

6740

FINDS:

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

(2) That the applicant, Hondo Oil and Gas Company *Lor My Frequent 70 2021 Not to be located*, *and* seeks approval of an unorthodox gas well location 1550
feet from the <u>North</u> line and <u>660</u> feet from the <u>West</u> line of Section <u>10</u>, Township <u>18 South</u>
Range <u>28 East</u>, NMPM, to test the <u>Pennsylvanian</u>
formation, <u>Peret</u>, <u>Eddy</u>
County, New Mexico.
(3) That the <u>N/2</u> of said Section <u>10</u> is to be dedicated to the well.
(4) That a well at said unorthodox location will <u>Nov</u>

(4) That a well at said unorthodox location will between edicion thy and effectively drain definited enable applicant to produce the gas underlying the provation unit.

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

10cation. (5) That all dedication of the W/2 of said Section 10 would be more appropriate

(6) That The subject opplication Should be denied. IT IS THEREFORE ORDERED (1) That the application of Hondor O. I and Gras Company for an unor the dar gas well location for its Federal 10 Well No! to be located at a point 1550 feet from the North line and 660 feet from the West line of Section 10 , Township 18 South , Range 28 East NMPM, Eddy County, Post, New Mexico. is here by denied. (3) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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