Case No. ηY C Application Transcripts Small Exhibits ETC



STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION

BRUCE KING GOVERNOR LARRY KEHOE SECRETARY

(1)

March 10, 1981

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

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

Re:	CASE NO.	7174	
	ORDER NO.	R-6607	
	_		

Applicant:

Jake L. Hamon

Dear Sir:

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

Pours very truly, "N Ü JOE D. RAMEY Director

JDR/fd

.....

Copy of order also sent to:

Hobbs OCD	x
Artesia OCD	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. 7174 Order No. R-6607

APPLICATION OF JAKE L. HAMON 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 February 25, 1981, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this <u>6th</u> day of March, 1981, 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, Jake L. Hamon, seeks approval of an unorthodox gas well location 660 feet from the South line and 660 feet from the West line of Section 36, Township 23 South, Range 26 East, NMPM, to test the Morrow formation, South Carlsbad-Morrow Gas Pool, Eddy County, New Mexico.

(3) That the S/2 of said Section 36 is to be dedicated to the well.

(4) That a woll 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. 7174 Order No. R-6607

(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 the application of Jake L. Hamon for an unorthodox gas well location for the Morrow formation is hereby approved for a well to be located at a point 660 feet from the South line and 660 feet from the West line of Section 36, Township 23 South, Range 26 East, NMPM, South Carlsbad-Morrow Gas Pool, Eddy County, New Mexico.

(2) That the 5/2 of said Section 36 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 Division may deem necessary.

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



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

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1 2 3 4 5	STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION STATE LAND OFFICE BLDG. SANTA FE, NEW MEXICO 25 February 1981 EXAMINER HEARING
6 7 8 9	IN THE MATTER OF: Application of Jake L. Hamon for an) unorthodox gas well location,) Eddy County, New Mexico.) 7174
10 11 12 13 14 15	BEFORE: Daniel S. Nutter TRANSCRIPT OF HEARING APPEARANCES
18 17 18 19	For the Oil Conservation Division: Ernest L. Padilla, Esq. Legal Counsel to the Division State Land Office Bldg. Santa Fe, New Mexico 87501
20 21 22 23 24	For the Applicant: W. Thomas Kellahin, Esq. KELLAHIN & KELLAHIN 500 Don Gaspar Santa Fe, New Mexico 87501
25	

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1	3
2	MR. NUTTER: Call next Case Number 7174.
3	MR. PADILLA: Application of Jake L.
4	Hamon for an uncrthodox gas well location, Eddy County, New
5	Mexico.
6	MR. KELLAHIN: I'm Tom Kellahin of
7	Santa Fe, New Mexico, appearing on behalf of the applicant
8	and I have one witness.
9	
. 10	(Witness sworn.)
11	
12	JOHN CASEY
13	being called as a witness and being duly sworn upon his oath,
14	testified as follows, to-wit:
15	
16	DIRECT EXAMINATION
17	BY MR. KELLAHIN:
18	Q All right, sir, Mr. Casey, would you
19	please state your name and occupation?
20	A. I'm John Casey. I'm the District Geol-
21	ogist for Jake L. Hamon in Midland, Texas.
22	Q. And have you previously qualified be-
23	fore the Oil Conservation Division as a geologist?
24	A. I have.
25	<u>Q</u> Pursuant to your employment with Jake

~~~~

×.

| ]  |                        |                                           |
|----|------------------------|-------------------------------------------|
| 1  |                        | 4                                         |
| 2  | L. Hamon have you made | e a study of the facts surrounding this   |
| 3  | particular application | 1?                                        |
| 4  | A. I                   | have.                                     |
| 5  | Ν                      | MR. KELLAHIN: We tender Mr. Casey as      |
| 6  | an expert geologist.   |                                           |
| 7  | Ν                      | MR. NUTTER: Mr. Casey is qualified.       |
| 8  | Q. N                   | ir. Casey, let me direct your attention   |
| 9  | to what we've marked a | as Exhibit Number One and have you ident- |
| 10 | ify that for us.       |                                           |
| 11 | A. I                   | Exhibit Number One is a land plat of      |
| 12 | a portion of Eddy Cour | nty, New Mexico, on which plat we have    |
| 13 | shown Mr. Hamon's prop | posed location for a Morrow test, to be   |
| 14 | located 660 from the s | south and west lines of Section 36,       |
| 15 | Township 23 South, Ram | nge 26 East, which to which well we       |
| 16 | propose to designate   | the south half of Section 36 as the       |
| 17 | proration unit.        |                                           |
| 18 | <u>0</u> .             | This is the South Carlsbad Morrow Gas     |
| 19 | Pool?                  |                                           |
| 20 | A.                     | It is.                                    |
| 21 | Q.                     | And what wells have you shown on your     |
| 22 | plat, Mr. Casey?       |                                           |
| 23 | А.                     | The wells that we have on the plat,       |
| 24 | we've shown the produ  | ction on all the producing wells sur-     |
| 25 | rounding the proposed  | location.                                 |

| 1  | 5                                                               |
|----|-----------------------------------------------------------------|
| 2  | Q. Starting with Section 2, would you                           |
| 3  | identify the wells and the operators for those two proration    |
| 4  | units?                                                          |
| 5  | A. In Section 2 of 24, 26, both of those                        |
| 6  | wells are operated by Mr. Hamon.                                |
| 7  | Q. That's the north/south split in the                          |
| 8  | Section between the proration units?                            |
| 9  | A. That's right.                                                |
| 10 | Q. All right, sir.                                              |
| 11 | A. Each of those is a laydown 320.                              |
| 12 | Q And in Section 1 to the east there is                         |
| 13 | a Coquina well?                                                 |
| 14 | A. That's right, yes, sir.                                      |
| 15 | Q What's the status of that well?                               |
| 16 | A. It is currently waiting on approval to                       |
| 17 | be plugged is my understanding, at least, from the Commission's |
| 18 | last report I have.                                             |
| 19 | Q All right, sir, and in the Section 35,                        |
| 20 | immediately to the west of your location?                       |
| 21 | A. There are two wells there; one in the                        |
| 22 | south half is produced to 12-1-80, 118-million; and the well    |
| 23 | in the north half, operated by J. M. Huber produced 361.2       |
| 24 | million.                                                        |
| 25 | <u>0</u> All right, sir.                                        |

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| 1    | 1                                               | 6                   |
|------|-------------------------------------------------|---------------------|
| 2    | 2 A. From the Morrow.                           |                     |
| 3    | 3 Q All right. Let's turn                       | to Exhibit Number   |
| 4    | 4 Two.                                          |                     |
| 5    | 5 MR. NUTTER: While you                         | 're before you      |
| 6    | 6 get away from this Exhibit Number One.        |                     |
| 7    | 7 A. Yes, sir.                                  |                     |
| 8    | 8 MR. NUTTER: You say t                         | he well in Section  |
| 9    | 9 1 is waiting to be P&A'd, what is dedicated   | to that well, the   |
| 10   | <b>0</b> north half or the west half?           |                     |
| în ( | A. Mr. Nutter, I'm not ce                       | rtain of the pro-   |
| 12   | 2 ration unit for that well.                    |                     |
| 13   | MR. NUTTER: Okay.                               |                     |
| 14   | A. It's the only well in                        | the section and     |
| 15   | 5 from the performance there has been rather    | poor, and so I      |
| 16   | guess no one ever drilled another welland I     | really don't        |
| 17   | 7 know which is whether it's a standup or       | a laydown unit.     |
| 18   | 8 MR. NUTTER: Okay, go                          | ahead.              |
| 19   | 9 Q. Turn to Exhibit Number                     | Two, Mr. Casey,     |
| 20   | 20 and identify that for us.                    |                     |
| 21   | A. Exhibit Two is a struc                       | cture map contoured |
| 22   | 22 on the Lower Morrow formation, which area of | covers approxi-     |
| 23   | mately the same area as that which we revie     | ewed on the Exhibit |
| 24   | 24 Number One.                                  |                     |
| 25   | 25 Q. What's the purpose of                     | the exhibit?        |

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A. The purpose of this exhibit is to show our proposed location, of course, with respect to the producing wells that Mr. Hamon has in Section 2, and also to show the line of a cross section we will show later.

7

Q. Does structure in the Lower Morrow for the South Carlsbad Morrow play any significance in the productivity of the Morrow wells?

A. At least in this particular area we suspect that it may. Since the Coquina well in Section 1, to which we referred earlier, since it has been a poor performer, we think that at our proposed location we will be higher than the Coquina well and I might add that on the cross section we have projected the Coquina well into our section along strike.

Q All right, let's turn to your cross section. It's Exhibit Number Three?

Exhibit Number Three.

All right, do you want to direct our attention to the significant factors on Exhibit Number Three that have caused you to propose the location as requested?

 A. Exhibit Number Three is a structural cross section, the line of which we have referred to.
 Generally it runs from the left to the right through the Jake Hamon wells in Section 2 into the Dorchester Graham

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| 1  | 8                                                              |
| 2  | State, located in the south half of Section 35, through our    |
| 3  | proposed location, through Coquina's well, and then to a       |
| 4  | control point to the east of our proposed location.            |
| 5  | As I said earlier, we projected the                            |
| 6  | Coquina well along strike, such that this cross section de-    |
| 7  | picts our intention or hope that we will occupy higher struc-  |
| 8  | tural position relative to the lower Morrow formation.         |
| 9  | Now, on the cross section I've also                            |
| 10 | shown the producing zones for the producing wells and it can   |
| 11 | be noted that, and as we'll show later in some Isopach plats,  |
| 12 | the some of the wells are completed in the Lower Morrow        |
| 13 | clastic section; some are completed in the Upper Morrow.       |
| 14 | Q. Let's turn to Exhibit Number Four and                       |
| 15 | Five and have you discuss those for us. Number Four is your    |
| 16 | Isopach of the Upper Morrow and Number Five is the Lower       |
| 17 | Morrow?                                                        |
| 18 | A. Referring to the Exhibit Number Four,                       |
| 19 | an Isopach of the Upper Morrow clastics, we show the possi-    |
| 20 | bility that a channel will exist through our proposed location |
| 21 | and be connected, perhaps, to those wells, one of which is     |
| 22 | Mr. Hamon's there in Section 2, and as it trends back to the   |
| 23 | north/northwest, that all of those wells that are colored      |
| 24 | and are shown with the symbol blue are producing from the      |
| 25 | Upper Morrow section, and we've shown the gross interval of    |

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the sands within that unit.

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Q. Which -- let's see, the Coquina well in Section 1 has not produced from the Upper Morrow, has it? A. That is -- that is correct. It was perforated in the Lower Morrow section, as shown on the cross section.

Q. And it's those wells to the southwest and then to the west that have produced from this Upper Morrow?

A. Exhibit Number Five is an Isopach of the Lower Morrow sand section and we've shown those producing wells in the color purple, and we have shown a possible channel or trend of Lower Morrow sand through our proposed location and we believe that utilizing the two exhibits on the Lower Morrow sand and the Upper Morrow sand, at least we hope that at our proposed location we will have a coincidence of Upper and Lower Morrow possibilities for hydrocarbon accummulation.

25

Q.

In your opinion, Mr. Casey, is the pro-

| 1         |                       | 10                                        |
|-----------|-----------------------|-------------------------------------------|
| <u>`2</u> | posed location the op | ptimum location from which to test both   |
| 3         | the Upper and Lower 1 | Morrow formations in this proration unit? |
| 4         | А.                    | Yes, Mr. Kellahin, I believe that's       |
| 5         | that's true.          |                                           |
| 6         | Q.                    | In your opinion will approval of this     |
| 7         | application impair t  | he correlative rights of any of the off-  |
| 8         | set operators?        |                                           |
| 9         | Α.                    | No. No, sir.                              |
| 10        | Q                     | Will approval of the application prevent  |
| 11        | waste and promote co  | nservation?                               |
| 12        | А.                    | I believe that to be true, yes, sir.      |
| 13        | Q.                    | Were Exhibits One through Five prepared   |
| 14        | by you or compiled u  | nder your direction and supervision?      |
| 15        | А.                    | They were, yes, sir.                      |
| 16        |                       | MR. KELLAHIN: We move the introduction    |
| 17        | of Exhibits One thro  | ugh Fìve.                                 |
| 18        |                       | MR. NUTTER: Exhibits One through Five     |
| 19        | will be admitted in   | evidence.                                 |
| 20        |                       | Are there any questions of Mr. Casey?     |
| 21        | He may be excused.    |                                           |
| 22        |                       | Do you have anything further, Mr.         |
| 23        | Kellahin?             |                                           |
| 24        |                       | MR. KELLAHIN: No, sir.                    |
| 25        |                       | MR. NUTTER: Does anyone have anything     |

|           | 1   |           |          |         |           |         |        | 11        |  |
|-----------|-----|-----------|----------|---------|-----------|---------|--------|-----------|--|
|           | 2   | they wish | to offer | in Case | Number 7  | 174?    |        |           |  |
|           | 3   |           |          | We'11   | take the  | case un | der ad | dvisement |  |
|           | 4   |           |          |         |           |         |        |           |  |
|           | 5   |           |          | (Hear   | ing concl | uded.)  |        |           |  |
|           | 6   |           |          |         |           |         | -      |           |  |
|           | 7   |           |          |         |           |         |        |           |  |
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|           | 9   |           |          |         |           |         |        | ×         |  |
|           | 10  | •         |          |         |           |         |        |           |  |
|           | 11  |           | ,a       |         |           |         |        |           |  |
|           | 12  |           |          |         |           |         |        |           |  |
| · · · · · | 13  |           |          |         |           |         |        |           |  |
|           | 14  |           |          |         |           |         |        |           |  |
|           | 15  |           |          |         |           |         |        |           |  |
|           | 16  | -         |          |         |           |         |        |           |  |
|           | 17  |           |          |         |           |         |        |           |  |
|           | 18  |           |          |         |           |         |        |           |  |
| •<br>•    | 19  |           |          |         |           |         |        |           |  |
|           | 20  |           |          |         |           |         |        |           |  |
|           | 21  |           |          |         |           |         |        | ÷         |  |
|           | 22  |           |          |         | · · · · · |         |        |           |  |
|           | 23  |           |          |         |           |         |        |           |  |
|           | 2.4 |           |          |         |           |         |        |           |  |
|           | 25  |           |          |         |           |         |        |           |  |

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Page

## CERTIFICATE

I, SALLY W. BOYD, C.S.R., DO HEREPY CERTIFY that the foregoing 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.

Sally W. Bayd C.S.R.

I do hereby contributing that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 7/74 heard by no on 7/25 19 87 heard by n e en 🚬 , Examiner

Oil Conservation Division

SALLY W. BOYD, C.S.R. kt. I Box 193-B Sunta Fc, New Mexico 87501 Phone (503) 455-7409 

|                                                                | Page1                                                                                                                  |
|----------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| ENERGY AND<br>OIL CON<br>STATE D<br>SANTA                      | E OF NEW MEXICO<br>D MINERALS DEPARTMENT<br>SERVATION DIVISION<br>LAND OFFICE BLDG.<br>FE, NEW MEXICO<br>Yebruary 1981 |
| EXAM                                                           | IINER HEARING                                                                                                          |
| IN THE MATTER OF:                                              | )                                                                                                                      |
| Application of Jak<br>unorthodox gas wel<br>Eddy County, New M |                                                                                                                        |
| BEFORE: Daniel S. Nutter                                       | ه شوه شده ومع وهو الله شمة شمة الملة وعلى وملك «عله معه معه وعلى وعلى المرك » «                                        |
|                                                                |                                                                                                                        |
| TRANSCR                                                        | IPT OF HEARING                                                                                                         |
| A P P E .                                                      | ARANCES                                                                                                                |
| For the Oil Conservation<br>Division:                          | Ernest L. Padilla, Esq.<br>Legal Counsel to the Divisio<br>State Land Office Bldg.<br>Santa Fe, New Mexico 87501       |
| For the Applicant:                                             | W. Thomas Kellahin, Esq.<br>KELLAHIN & KELLAHIN                                                                        |
|                                                                | 500 Don Gaspar<br>Santa Fe, New Merice 87501                                                                           |
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| 1        |                                        | 2 |
|----------|----------------------------------------|---|
| 2        | INDEX                                  |   |
| 3        |                                        |   |
| 4        | JOHN CASEY                             |   |
| 5        | Direct Examination by Mr. Kellahin     | 3 |
| 6        |                                        |   |
| 7        |                                        |   |
| 8        |                                        |   |
| 9        |                                        |   |
| 10       |                                        |   |
| 11       |                                        |   |
| 12       | EXHIBITS                               |   |
| 13       |                                        |   |
| 14       | Applicant Exhibit One, Plat            | 4 |
| 15       | Applicant Exhibit Two, Structure Map   | 6 |
| 16       | Applicant Exhibit Three, Cross Section | 7 |
| 17       | Applicant Exhibit Four, Isopach        | 8 |
| 18       | Applicant Exhibit Five, Isopach        | 8 |
| 19<br>20 |                                        |   |
| 20<br>21 |                                        |   |
| 21       |                                        |   |
| 22       |                                        |   |
| 23<br>24 |                                        |   |
| 25       |                                        |   |
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| 1   |                           | 3                                     |  |  |  |
|-----|---------------------------|---------------------------------------|--|--|--|
| 2   | 2 MR                      | . NUTTER: Call next Case Number 7174. |  |  |  |
| 3   | 3 MR                      | . PADILLA: Application of Jake L.     |  |  |  |
| 4   | Hamon for an unorthodox   | gas well location, Eddy County, New   |  |  |  |
| 5   | 5 Mexico.                 |                                       |  |  |  |
| 6   | 6 MR                      | . KELLAHIN: I'm Tom Kellahin of       |  |  |  |
| 7   | Santa Fe, New Mexico, a   | ppearing on behalf of the applicant   |  |  |  |
| 8   | and I have one witness.   |                                       |  |  |  |
| \$  | 9                         |                                       |  |  |  |
| 10  | W) (W                     | itness sworn.)                        |  |  |  |
| 11  | 1                         |                                       |  |  |  |
| 12  | 2                         | JOHN CASEY                            |  |  |  |
| 13  |                           |                                       |  |  |  |
| 14  |                           |                                       |  |  |  |
| 15  | 5                         |                                       |  |  |  |
| 10  | 6 DI                      | RECT EXAMINATION                      |  |  |  |
| 17  | 7 BY MR. KELLAHIN:        |                                       |  |  |  |
| 18  | 8 Q. Al                   | l right, sir, Mr. Casey, would you    |  |  |  |
| 19  | 9 please state your name  | and occupation?                       |  |  |  |
| 20  | 0 A. I'                   | m John Casey. I'm the District Geol-  |  |  |  |
| -2. | 1 ogist for Jake L. Hamon | in Midland, Texas.                    |  |  |  |
| 23  | 2 0 An                    | d have you previously qualified be-   |  |  |  |
| 2.  | 3 fore the Oil Conservati | on Division as a geologist?           |  |  |  |
| 24  | 4, n. I                   | have.                                 |  |  |  |
| 2:  | 5 <u>0</u> Pu             | rsuant to your employment with Jake   |  |  |  |

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| 1  | 4                                                             |  |  |  |
|----|---------------------------------------------------------------|--|--|--|
| 2  | I. Hamon have you made a study of the facts surrounding this  |  |  |  |
| 3  | particular application?                                       |  |  |  |
| 4  | A. I have.                                                    |  |  |  |
| 5  | MR. KELIAHIN: We tender Mr. Casey as                          |  |  |  |
| 6  | an expert geologist.                                          |  |  |  |
| 7  | MR. NUTTER: Mr. Casey is gualified.                           |  |  |  |
| 8  | $\rho$ Mr. Casey, let me direct your attention                |  |  |  |
| ý  | to what we've marked as Exhibit Number One and have you ident |  |  |  |
| 10 | ify that for us.                                              |  |  |  |
| 11 | A. Exhibit Number One is a land plat of                       |  |  |  |
| 12 | a portion of hady county, new mexico, on which plat we have   |  |  |  |
| 13 |                                                               |  |  |  |
| 14 | located 660 from the south and west lines of Section 36,      |  |  |  |
| 15 | Township 23 South, Range 26 East, which to which well we      |  |  |  |
| 16 | propose to designate the south half of Section 36 as the      |  |  |  |
| 17 | proration unit.                                               |  |  |  |
| 18 | Ω This is the South Carlsbad Morrow Gas                       |  |  |  |
| 19 | Pool?                                                         |  |  |  |
| 20 | A. It is.                                                     |  |  |  |
| 21 | 0. And what wells have you shown on your                      |  |  |  |
| 22 | plat, Mr. Casey?                                              |  |  |  |
| 23 | A. The wells that we have on the plat,                        |  |  |  |
| 24 | we've shown the production on all the producing wells sur-    |  |  |  |
| 25 | rounding the proposed location.                               |  |  |  |

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|---|----------------------------------------------------------------|--------------------------------------------|--|--|--|--|
| 2 | <b>D</b>                                                       | Starting with Section 2, would you         |  |  |  |  |
| 3 | identify the wells and the operators for those two proration   |                                            |  |  |  |  |
| 4 | units?                                                         |                                            |  |  |  |  |
| 5 | λ.                                                             | In Section 2 of 24 26 both of those        |  |  |  |  |
| 5 |                                                                |                                            |  |  |  |  |
| , | wells are operated by Mr. Hamon.                               |                                            |  |  |  |  |
| 3 | Q That's the north/south split in the                          |                                            |  |  |  |  |
|   | Section between the proration units?                           |                                            |  |  |  |  |
|   | Α.                                                             | That's right.                              |  |  |  |  |
| 0 | Q.                                                             | All right, sir.                            |  |  |  |  |
| 1 | A.                                                             | Each of those is a laydown 320.            |  |  |  |  |
| 2 | Ď                                                              | And in Section 1 to the east there is      |  |  |  |  |
| , | a Coquina well?                                                |                                            |  |  |  |  |
| • | А.                                                             | That's right, yes, sir.                    |  |  |  |  |
| 5 | Q.                                                             | What's the status of that well?            |  |  |  |  |
| 6 | А.                                                             | It is currently waiting on approval to     |  |  |  |  |
| 7 | be plugged is my understanding, at least, from the Commission' |                                            |  |  |  |  |
| 3 | last report I have                                             | •                                          |  |  |  |  |
| 9 | <b>Q</b> .                                                     | All right, sir, and in the Section 35,     |  |  |  |  |
| 0 | immediately to the west of your location?                      |                                            |  |  |  |  |
| 1 | А.                                                             | There are two wells there; one in the      |  |  |  |  |
| 2 | south half is prod                                             | uced to 12 1-80, 118-million; and the well |  |  |  |  |
| 3 |                                                                | operated by J. M. Huber produced 361.2     |  |  |  |  |
| 4 | million.                                                       |                                            |  |  |  |  |
| 5 | <u>Ø</u>                                                       | All right, sir.                            |  |  |  |  |

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| 1  | 6                                                             |  |  |  |  |
|----|---------------------------------------------------------------|--|--|--|--|
| 2  | A. From the Morrow.                                           |  |  |  |  |
| 3  | All right. Let's turn to Exhibit Number                       |  |  |  |  |
| 4  | Two.                                                          |  |  |  |  |
| 5  | MR. NUTTER: While you're before you                           |  |  |  |  |
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| 7  | A. Yes, sir.                                                  |  |  |  |  |
| 8  | MR. NUTTER: You say the well in Section                       |  |  |  |  |
| 9  | l is waiting to be P&A'd, what is dedicated to that well, the |  |  |  |  |
| 10 | north half or the west half?                                  |  |  |  |  |
| 11 | A. Mr. Mutter, I'm not certain of the pro-                    |  |  |  |  |
| 12 | ration unit for that well.                                    |  |  |  |  |
| 13 | MR. NUTTER: Okay.                                             |  |  |  |  |
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| 16 | guess no one ever drilled another welland I really don't      |  |  |  |  |
| 17 | know which is whether it's a standup or a laydown unit.       |  |  |  |  |
| 18 | MR. NUTTER Okay, go ahead.                                    |  |  |  |  |
| 19 | o Turn to Exhibit Number Two, Mr. Casey,                      |  |  |  |  |
| 20 | and identify that for us.                                     |  |  |  |  |
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| 22 | on the Lower Morrow formation, which area covers approxi-     |  |  |  |  |
| 23 | mately the same area as that which we reviewed on the Exhibit |  |  |  |  |
| 24 | Number One.                                                   |  |  |  |  |
| 25 | 0 What's the purpose of the exhibit?                          |  |  |  |  |

7 1 2 Λ. The purpose of this exhibit is to show 3 our proposed location, of course, with respect to the pro-4 ducing wells that Mr. Namon has in Section 2, and also to 5 show the line of a cross section we will show later. 6 ) ÷ Does structure in the Lower Morrow for 7 the South Carlsbad Morrow play any significance in the pro-8 ductivity of the Morrow wells? 9 At least in this particular area we Α. 10 suspect that it may. Since the Coquina well in Section 1, 11 to which we referred earlier, since it has been a poor per-12 former, we think that at our proposed location we will be 13 higher than the Coquina well and I might add that on the 14 cross section we have projected the Coquina well into our 15 section along strike. 16 All right, let's turn to your cross Ç. 17 It's Exhibit Number Three? section. 18 Exhibit Number Three. A. 19 0. All right, do you want to direct our 20 attention to the significant factors on Exhibit Number Three 21 that have caused you to propose the location as requested? 22 Exhibit Number Three is a structural A. 23 cross section, the line of which we have referred to. 24 Generally it runs from the left to the right through the 25 Jake Hamon wells in Section 2 into the Dorchester Graham

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|----|--------------------------------------------------------------|
| 2  | State, located in the south half of Section 35, through our  |
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| 8  | tural position relative to the lower Morrow formation.       |
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| 23 | north/northwest, that all of those wells that are colored    |
| 24 | and are shown with the symbol blue are producing from the    |
| 25 | Upper Morrow section, and we've shown the gross interval of  |

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the sands within that unit.

0. Which --- let's see, the Coguina well in
 Section 1 has not produced from the Upper Morrow, has it?
 A. That is --- that is correct. It was per forated in the Lower Morrow section, as shown on the cross
 section.

Q And it's those wells to the southwest and then to the west that have produced from this Upper Horrow?

A. Right. All of those wells with the
 blue symbol have produced from the Upper Morrow section.
 Q. All right, let's go ahead and talk
 about the Isopach on the Lower Morrow section, Exhibit Number

A. Exhibit Number Five is an Isopach of the Lower Morrow sand section and we've shown those producing wells in the color purple, and we have shown a possible channel or trend of Lower Morrow sand through our proposed location and we believe that utilizing the two exhibits on the Lower Morrow sand and the Upper Morrow sand, at least we hope that at our proposed location we will have a coincidence of Upper and Lower Morrow possibilities for hydrocarbon accummulation.

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Five.

In your opinion, Mr. Casey, is the pro-

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| 1 | 10 |
| 2 | posed location the optimum location from which to test both |
| 3 | the Upper and Lower Morrow formations in this proration unit? |
| 4 | A. Yes, Mr. Kellahin, I believe that's |
| 5 | that's true. |
| 6 | Q. In your opinion will approval of this |
| 7 | application impair the correlative rights of any of the off- |
| 8 | set operators? |
| 9 | A. No. No, sir. |
| 10 | Q. Will approval of the application prevent |
| 11 | waste and promote conservation? |
| 12 | A. I believe that to be true, yes, sir. |
| 13 | 0. Were Exhibits One through Five prepared |
| 14 | by you or compiled under your direction and supervision? |
| 15 | A. They were, yes, sir. |
| 16 | MR. KELLAHIN: We move the introduction |
| 17 | of Exhibits One through Five. |
| 18 | MR. NUTTER: Exhibits One through Five |
| 19 | will be admitted in evidence. |
| 20 | Are there any questions of Mr. Casey? |
| 21 | Ne may be excused. |
| 22 | Do you have anything further, Mr. |
| 23 | Kellahin? |
| 24 | MR. KELLAHIN: No, sir. |
| 25 | MR. NUTTER: Does anyone have anything |
| | |

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Page _____12

CERTIFICATE

I, SALLY W. BOYD, C.S.R., DO HEREPY CERTIFY that the foregoing 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.

Surry W. Boyd CS.R.

I do here we can the that the foregoing is a comple or record of the proceedings in the Litanciner hearing of Case No. 7/74, neard by me on 725 1981. With the foregoing is

Oil Conservation Division

SALLY W. BOYD, C.S.R. kt. 1 Box 193-B Sunta Fc, New Mexico 87501 Phone (503) 455-7409 1

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Dacket No. 7-81

Dockets Nos, 8-81 and 9-81 are tentatively set for March 11 and 25, 1981. Applications for hearing must filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - FEBRUARY 25, 1981

9 A.N. - ULL CONSERVATION MATISTON CONFERENCE ROOM, STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

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

- CASE 7157: Application of Carl A. Schellinger for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Campbell Station Unit Area, comprising 3,841 acres, more or less, of State lands in Townships 8 and 9 South, Range 27 East.
- Application of Grynberg & Associates for a unit agreement, Chaves County, New Mexico. CASE 7158: Applicant, in the above-styled cause, seeks approval for the Silman Lake Unit Area, comprising 13,743 acres, more or less, of State and fee lands in Townships 9 and 10 South, Ranges 26 and 27 East.
- CASE 7159: Application of Consolidated Oil & Gas, Inc. for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Greenhorn and Dakota production in the wellbore of its Navajo Well No. 2-E located in Unit C of Section 11, Township 25 North, Range 10 West.
- Application of Harlan Drilling Company for an unorthodox gas well location, San Juan County, New CASE 7160: Nexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 2370 feet from the North line and 1528 feet from the West line of Section 31, Township 29 North, Range 11 West, Fulcher Kutz-Pictured Cliffs Pool, the NW/4 of said Section 31 to be dedi-cated to the well.
- CASE 7148: (Continued from February 11, 1981, Examiner Hearing)

Application of Twin Montana Oil Company for a non-standard oil proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of an 80-acre Vada-Pennsylvanian oil proration unit comprising the S/2 NE/4 of Section 3, Township 9 South, Range 35 East, to be dedicated to its Webb Federal Well No. 1 located in Unit G of said Section 3.

CASE 7051: (Continued from January 28, 1981, Examiner Hearing)

Application of Petro Lewis Corporation for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Blinebry and Drinkard production in the wellbore of its L. G. Warlick "B" Well No. 2 located in Unit G of Section 19, Township 21 South, Range 37 East.

(Continued from February 11, 1981, Examiner Hearing) CASE 7140:

> Application of Yates Petroleum Corporation for compulsory pooling and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the N/2 of Section 26, Township 21 South, Range 26 East, to be dedicated to a well to be drilled at an unorthodox location 660 feet from the North line and 1650 feet from the East line of said Section 26. 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, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7149: (Continued from February 11, 1981, Examiner Hearing)

Application of John H. Hendrix Corporation for the extension of the vertical limits of the Langlie Mattix Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the vertical limits of the Jalmat Pool and the upward extension of the vertical limits of the Langlie Mattix Pool to a depth of 3362 feet, subsurface, underlying Unit O of Section 19, Township 23 South, Range 37 East.

CASE 7161:

Application of John Yuronka for four compulsory poolings, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Langlie Mattix Pool underlying the four 40-acre proration units comprising the SW/4 of Section 31, Township 22 South, Range 37 East, to be dedicated to wells to be drilled at standard locations thereon. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant

as operator of the wells, and a charge for risk involved in drilling said wells.

Page 2 of 3 Examiner Hearing - Wednesday - February 25, 1981

- Jucket No. 7-81

CASE 7162: Application of McCulloch Gil & Gas Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the McKee ormation underlying the E/2 of Section 25, Township 20 South, Range 38 East, to be dedicated to mell 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, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7163: Application of ARCO Oil and Gas Company for the extension of the vertical limits of the Langlie Nattix Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the vertical limits of the Jalmat Pool and the upward extension of the vertical limits of the Langlie Mattix Pool by 165 feet underlying the NE/4 SE/4 of Section 35, Township 23 South, Range 36 East.

CASE 7164: Application of ARCO Oil and Gas Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Devonian and Ellenburger formations, Custer Field, underlying the N/2 of Section 6, Township 25 South, Range 37 East, 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, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7165: Application of ARCO Oil and Gas Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Langley-Ellenburger Pool underlying the N/2 of Section 33, Township 22 South, Range 36 East, 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, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7166: Application of Inexco Oil Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Chosa Draw Unit Area, comprising 2,560 acres, more or less, of Federal and State lands in Townships 25 and 26 South, Range 25 East.

CASE 7167: Application of Inexco Oil Company for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Made Well Anticline Unit Area, comprising 39,238 acres, more or less, of State, Federal, and fee lands in Townships 12, 13, and 14 South, Ranges 21 and 22 East.

CASE 7168: Application of Cavalcade Oil 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 into an unlined surface pit located in Unit K or L of Section 33, Toon-ship 18 South, Range 30 East.

CASE 7129: (Continued from February 11, 1981, Examiner Hearing)

Application of Koch Exploration Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Dakota formation underlying the N/2 of Section 28, Township 28 North, Range 8 West, 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 marges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7169: Application of Koch Exploration Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Dakota formation underlying the S/2 of Section 22, Township 23 North, Range 8 West, 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, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

<u>CASE 7170</u>: Application of Threshold Development Company for an NGPA determination, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir determination in the Atoka and Morrow formations for its Conoco 10A State Well No. 1Y in Unit F of Section 10, Township 19 South, Range 29 East.

Page 3 of 3 Examiner Rearing - Wednesday - February 25, 1981

Docket No. 7-81

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- CASE 7171: Application of Zia Energy-Luc. for a non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 120-acre non-standard proration unit in the Eumont Gas Pool comprising the SW/4 SE/4 of Section 27, and the N/2 NE/4 of Section 34, Town-ship 20 South, Range 36 East, to be dedicated to its Elliptt "A" State Well No. 1 located 660 feet from the South line and 1980 feet from the East line of said Section 27.
- CASE 7172: Application of Caulkins Oil Company for two unorthodex gas well locations. Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of the following two wells on its Breech A Lease to be recompleted in the Charra, Mesaverde, and Dakota formations: No. 157 located 1980 feet from the North line and 660 feet from the West line of Section 10 and No. 629 located 660 feet from the North line and 760 feet from the West line of Section 9, both in Township 26 North, Range 6 West.
- Application of V-F Petroleum Inc. for an unorthodox well location, Lea County, New Mexico. CASE 7173: Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 330 feet from the North line and 1150 feet from the East line of Section 5, Township 16 South, Range 38 East, South Denton-Devonian Pool, the NE/4 NE/4 of said Section 5 to be dedicated to the well.

CASE 7174:

Application of Jake L. Hamon for an uncrthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox lCcation of a well to be drilled 660 feet from the South and West lines of Section 36, Township 23 South, Range 26 East, South Carlsbad-Norrow Gas Pool, the S/2 of said Section 36 to be decicated to the well.

CASE 7175:

Application of Conoco Inc. for compulsory pooling and a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp-Ellenburger formations underlying the S/2 of Section 19, Township 25 South, Range 37 East, to be dedicated to a well to be drilled at a standard location and dually completed in the Devonian and Ellenburger formations. 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, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

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Jason Kellahin W. Thomas Kellahin Karen Aubrey KELLAHIN and KELLAHIN Attorneys at Law 500 Don Gaspar Avenue Post Office Box 1769 Santa Fe, New Mexico 87501

Telephone 982-4285 Area Code 505

February 5, 1981

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OIL CONSTRVATION DIVISION SANTA FE

Case 7174

RE: Jake L. Hamon

Mr. Joe Ramey Oil Conservation Divison

Santa Fe, New Mexico 87501

Dear Joe:

P.O. Box 2088

Please set the enclosed application for hearing on February 25, 1981.

truly yours, Verg as Kellahin W

WTK:jm Enclosure cc: James Cooksey

STATE OF NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF JAKE L. HAMON FOR APPROVAL OF AN UNORTHODOX WELL LOCATION SOUTH OF CARLSBAD-MORROW GAS POOL, EDDY COUNTY, NEW MEXICO.



Case 7174

<u>A P P L I C A T I O N</u>

COMES NOW JAKE L. HAMON, by and through his attorneys, Kellahin & Kellahin, and applies to the New Mexico Oil Conservation Division for approval of an unorthodox gas well location 660 feet from the South and West lines of Section 36, T23S, R26E, NMPM, Eddy County, New Mexico, and in support thereof would show:

1. Applicant has the right to drill and develop the Pennsylvanian formation in the S/2 of said Section 36.

2. Applicant desires to drill a well to a depth sufficient to test the Morrow formation at an unorthodox well location 660 feet from the South and West lines of said Section 36.



3. That Applicant proposes to dedicate the S/2 of said Section 36 to the well.

4. Approval of the application is in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, applicant requests that this application be set for hearing and that after notice and hearing the application be granted as requested.

Respectfully submitted,

KELLAHIN & KELLAHIN By W. Thomas Kellahin P.O. Box 1769 Santa Fe, New Mexico 87501 (505) 982-4285

ATTORNEYS FOR JAKE L. HAMON

STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION

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

CASE NO. 7174

ORDER NO. R- 6607.

APPLICATION OF JAKE L. HAMON FOR AN UNORTHODOX GAS WELL LOCATION,

EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

DRAFT

dr/

This cause came on for hearing at 9 a.m. on <u>February 25</u>, 19<u>81</u>, at Santa Fe, New Mexico, before Examiner <u>Daniel S. Nutter</u> NOW, on this <u>day of</u>, 19<u>81</u>, 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, Jake L. Hamon , seeks approval of an unorthodox gas well location 660 feet from the South line and 660 feet from the West line of Section 36 , Township 23 South Range 26 East , NMPM, to test the Morrow formation, South Carlsbad-Morrow Gas Pool, Eddy County, New Mexico.

(3) That the 5/2 of said Section 36 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 and unorthodox gas well location for the <u>Morrow</u> formation is hereby approved for a well to be located at a point <u>660</u> feet from the <u>South</u> line and <u>660</u> feet from the <u>West</u> line of Section <u>36</u>, Township <u>23 South</u>, Range <u>26 East</u> NMPM, <u>South Carlsbad-Morrow Gas</u> <u>Pool</u>, <u>Eddy</u> <u>County</u>, New Mexico.

(2) That the 5/2 of said Section 36 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 Division may deem necessary.

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