

CASE 7196: DINERO OPERATING COMPANY FOR  
AN UNORTHODOX GAS WELL LOCATION, EDDY  
COUNTY, NEW MEXICO

Case No.

7196

Application

Transcripts

Small Exhibits

ETC



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

April 9, 1981

Mr. William F. Carr  
Campbell, Byrd & Black  
Attorneys at Law  
Post Office Box 2208  
Santa Fe, New Mexico

Re: CASE NO. 7196  
ORDER NO R-6638

**Applicant:**

Dinero Operating Company

Dear Sir:

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

Yours very truly,

JOE D. RAMEY  
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD \_\_\_\_\_  
Artesia OCD \_\_\_\_\_  
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. 7196  
Order No. R-6638

APPLICATION OF DINERO OPERATING  
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 March 11, 1981, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 7th day of April, 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, Dinero Operating Company, seeks approval of an unorthodox gas well location 1980 feet from the North line and 660 feet from the West line of Section 15, Township 22 South, Range 28 East, NMPM, to test the Pennsylvanian formation, Eddy County, New Mexico.

(3) That the N/2 of said Section 15 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. 7196  
Order No. R-6638

(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.

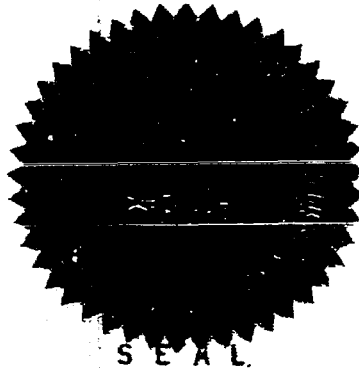
IT IS THEREFORE ORDERED:

(1) That the application of Dinero Operating Company for an unorthodox gas well location for the Pennsylvanian formation is hereby approved for a well to be located at a point 1980 feet from the North line and 660 feet from the West line of Section 15, Township 22 South, Range 28 East, NMPM, Eddy County, New Mexico.

(2) That the N/2 of said Section 15 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

*Joe D. Ramey*  
JOE D. RAMEY  
Director

rd/

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG  
SANTA FE, NEW MEXICO  
11 March 1981

EXAMINER HEARING

IN THE MATTER OF:

Application of Dinero Operating Com-  
pany for an unorthodox gas well  
location, Eddy County, New Mexico.

CASE  
7196

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation  
Division:

Ernest L. Padilla, Esq.  
Legal Counsel to the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant:

William F. Carr, Esq.  
CAMPBELL, BYRD, & BLACK P.A.  
Jefferson Place  
Santa Fe, New Mexico 87501

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I N D E X

ROYCE E. LAWSON, JR.

Direct Examination by Mr. Carr

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E X H I B I T S

Applicant Exhibit One, Plat

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2 MR. STAMETS: Call next Case 7196.

3 MR. PADILLA: Application of Dinero  
4 Operating Company for an unorthodox gas well location, Eddy  
5 County, New Mexico.

6 MR. CARR: May it please the Examiner,  
7 my name is William F. Carr, with the law firm Campbell, Byrd,  
8 & Black, P.A., Santa Fe, appearing on behalf of the applicant

9 I have one witness who needs to be  
10 sworn.

11  
12 (Witness sworn.)

13  
14 ROYCE E. LAWSON, JR.  
15 being called as a witness and being duly sworn upon his oath,  
16 testified as follows, to-wit:

17  
18 DIRECT EXAMINATION

19 BY MR. CARR:

20 Q Will you state your name and place of  
21 residence?

22 A My name is Royce E. Lawson, Junior.  
23 I live in Midland, Texas.

24 Q Mr. Lawson, by whom are you employed  
25 and in what capacity?



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A. I'm self-employed. I'm a geologist and independent geophysicist there in Midland.

Q. Are you employed today for the purposes of this hearing by Dinero Operating Company?

A. Yes.

Q. Have you previously testified before this Commission or one of its examiners?

A. No.

Q. Would you briefly summarize for the Examiner your educational background?

A. I graduated from the University of Texas in 1949 with a degree in geology, a BS in geology, and then I worked for sixteen years with Humble Oil and Refining Company as a geophysicist and geologist, and have been an independent since 1966.

Q. Are you familiar with the application of Dinero Operating Company in this case?

A. Yes, I am.

Q. And are you familiar with the proposed well?

A. Yes.

MR. CARR: Are the witness' qualifications acceptable?

MR. STAMETS: They are.

1  
2 Q Would you briefly state what Dinero seeks  
3 with this application?

4 A Dinero seeks moving a well location from  
5 an orthodox location in the northwest quarter of Section 15.  
6 They seek to move the well 660 feet west of the present  
7 orthodox location to better establish a -- establish a better  
8 drainage pattern for this Pennsylvanian well.

9 Q Will you please refer to what has been  
10 marked for identification as Dinero Exhibit Number One and  
11 explain to the Examiner what it is and what it shows?

12 A Exhibit Number One is a land lease plat  
13 and it shows the present existing Pennsylvanian wells in the  
14 area and also the proration units for each of these wells.

15 And there's an arrow indicating the pro-  
16 posed location for the Dinero Well No. 6, which is the Big  
17 Chief No. 6, and this will be a 12,800 foot Morrow test and  
18 we'll be unitizing the north half of Section 15.

19 Q Now the wells that are circled in red,  
20 are those the other Pennsylvanian wells in the area?

21 A Yes, they are.

22 Q Have you notified each of the offsetting  
23 operators that you're -- of this hearing today?

24 A Yes. All the offset operators have  
25 been notified. All of them are part of Dinero group with

1  
2 the exception of Richardson & Bass.

3 Now Richardson & Bass will have an inter-  
4 est in this well and they've been notified as to this hearing  
5 and also of the proposed well location.

6 Q Would you summarize for the Examiner the  
7 reason Dinero is seeking to drill this well at an unorthodox  
8 location?

9 A We believe that the best sands exist to  
10 the west and the best drainage pattern will be the west.  
11 This is substantiated by the well control. The well in Sec-  
12 tion 9, the northwest -- northwest of our present location,  
13 is producing at the rate of about 2-million cubic feet of  
14 gas a day.

15 The well directly north, which is a  
16 Perry Bass well, is only making about 100 Mcf a day.

17 The wells to the south are poor, with  
18 the exception of the Little Squaw down in Section 27 is a  
19 good Morrow well, and we believe that the pattern, the drain-  
20 age pattern, is essentially running northwest/southeast,  
21 whether it's sands or channels, so this is -- we feel like  
22 moving to the west will give us a better drainage pattern.

23 Q In your opinion, Mr. Lawson, would  
24 approval of this application impair the correlative rights  
25 of any interest owner in the area?

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A Impair, no.

Q Are you moving the well toward acreage  
which actually is controlled by the Dinero group?

A Yes, yes, all of them -- all of the  
members of the Dinero group, working interest owners, are in  
this acreage to the west.

Q In your opinion will granting this ap-  
plication and the completion of a well in the north half of  
Section 15 at the proposed unorthodox location result in  
the production of hydrocarbons that otherwise would be left  
in the ground?

A Yes.

Q Was Exhibit Number One prepared by you?

A Yes, it was.

Q In your opinion will granting this  
application be in the best interest of conservation?

A Yes.

MR. CARR: At this time, Mr. Examiner,  
we would offer Dinero Exhibit Number One.

MR. STAMETS: This exhibit will be ad-  
mitted.

MR. CARR: I have nothing further on  
direct.

MR. STAMETS: Mr. Lawson, are all of

1  
2 the wells which you depict in Sections 9 and 10 to the north  
3 on down into Section 27 to the south, are all those completed  
4 in the same horizon?

5 A No, they're completed in -- some of  
6 them are Morrow wells and some of them Atoka wells. Now,  
7 those ones to the north in Section 10 is a Morrow well and  
8 the one in Section 9 is a Morrow well, and we propose to  
9 drill a Morrow well on the first test.

10 Now the wells south of us are Morrow  
11 wells. We are recompleting the one in Section 22 at the  
12 present time, north half of 22. We're plugging back to the  
13 Atoka.

14 And the one to the west in Section 21  
15 is now an Atoka well. It was a Morrow well and it was a good  
16 Morrow well, but it was shut-in because of problems with  
17 the line delivery, and we lost the Morrow, and we now produce  
18 it out of the Atoka, but it was a good well.

19 MR. STAMETS: What type of a Morrow  
20 reservoir do you have in this area?

21 A Well, we think we have a fair chance.  
22 The Squaw No. 1 has been a very good well. The wells to the  
23 north have been very disappointing and they're -- they're --  
24 the No. 4 Well, for instance, is producing about 400 Mcf a  
25 day; 300 I believe it is now.

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2 The No. 2 was down to less than 200 Mcf  
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6 it. We had to shut it in and lost it.

7 The well, the Perry Bass well in Section  
8 10 is currently making about 100 Mcf a day out of the Morrow,  
9 and it doesn't appear to have any Atoka at all, whereas, the  
10 well in Section 9 is making better than 2-million a day and  
11 has a very good Morrow reservoir, apparently.

12 MR. STAMETS: Any other questions of the  
13 witness? He may be excused.

14 Anything further in this case?

15 MR. CARR: Nothing further.

16 MR. STAMETS: We'll take the case under  
17 advisement.

18  
19 (Hearing concluded.)  
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# 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. Boyd C.S.R.

SALLY W. BOYD, C.S.R.  
Rt. 1 Box 191-U  
Santa Fe, New Mexico 87501  
Phone (505) 455-7409

I do hereby certify that the foregoing is a true and correct copy of the transcript of the hearing held on 3-11-81.  
Richard L. Thomas  
Oil Conservation Division Examiner

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO  
11 March 1981

EXAMINER HEARING

IN THE MATTER OF:

Application of Dinero Operating Com-  
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19 (Hearing concluded.)  
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# C E R T I F I C A T E

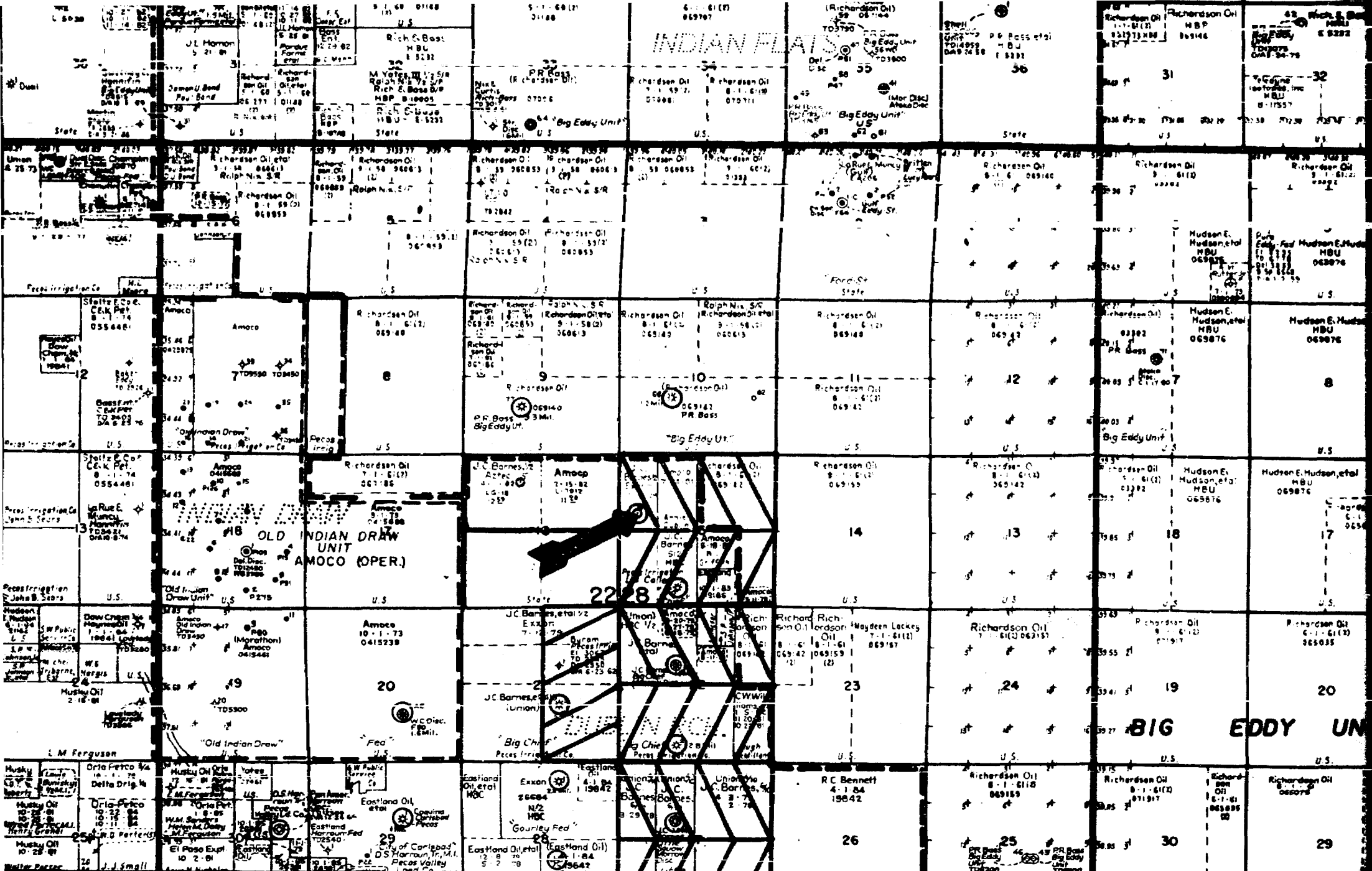
I, SALLY W. BOYD, C.S.R., DO HEREPY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

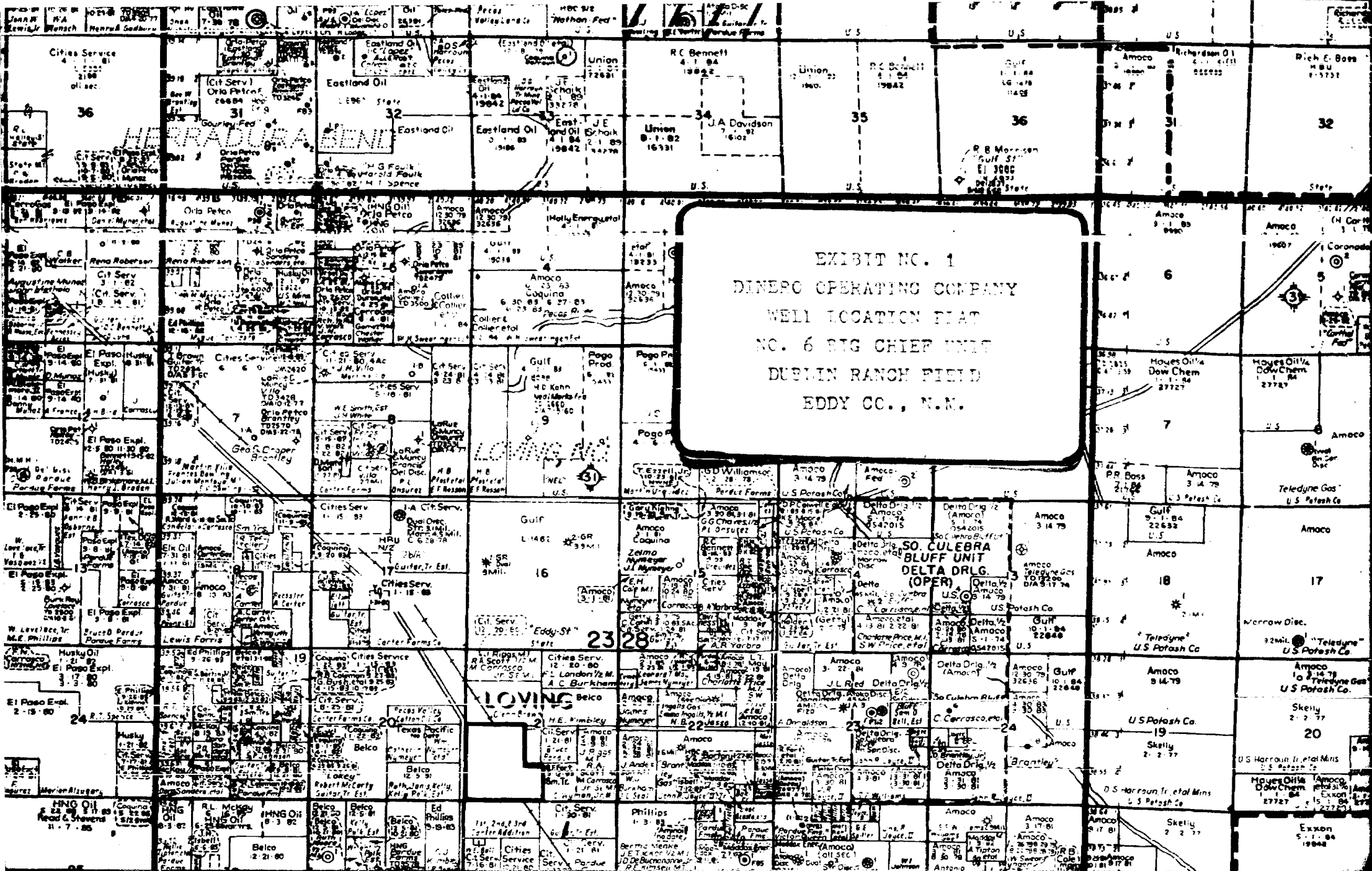
Sally W. Boyd C.S.R.

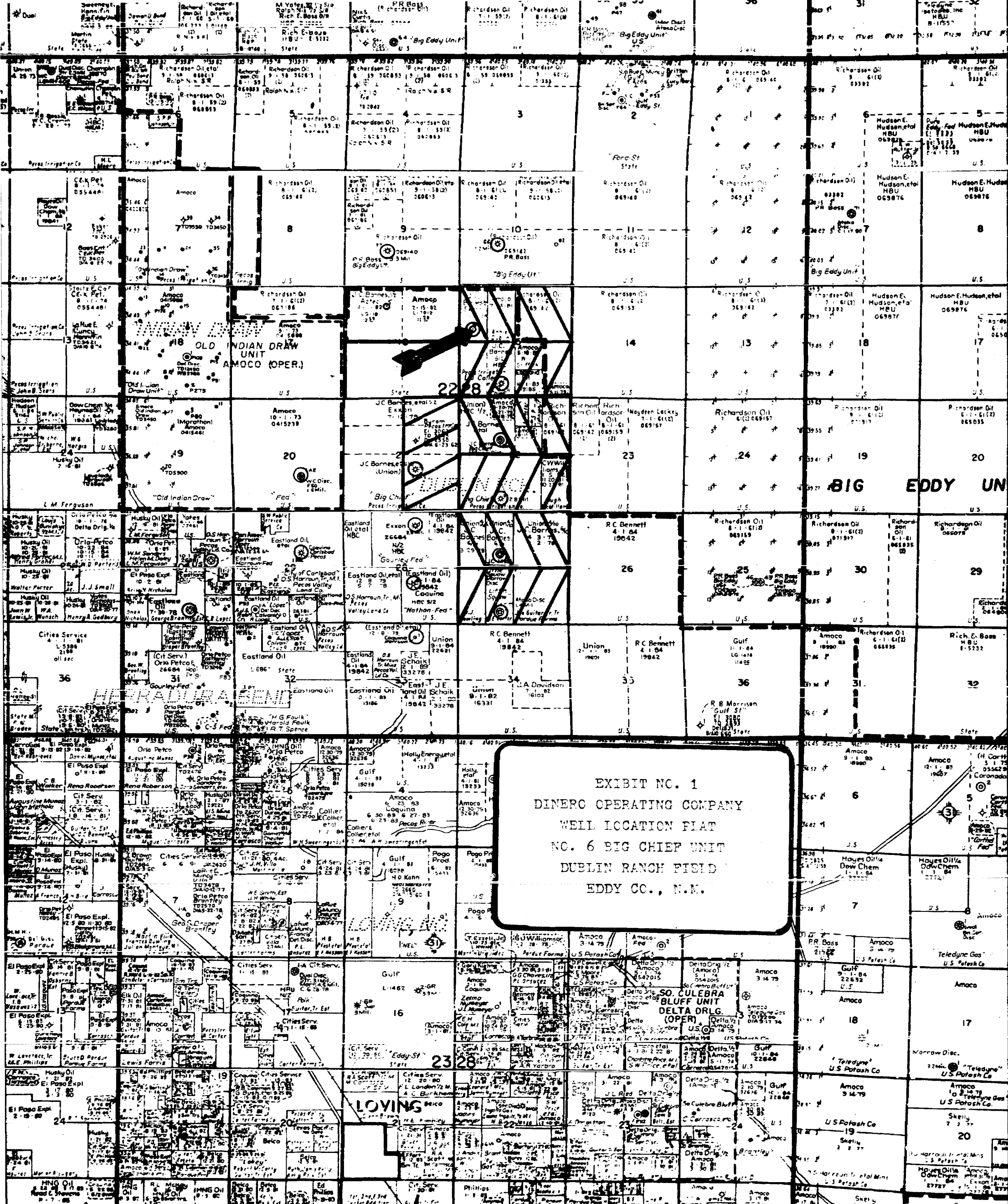
I do hereby certify that the foregoing is a correct and true transcript of the proceedings in the Examination of \_\_\_\_\_ heard by me on \_\_\_\_\_ 19\_\_\_\_.

\_\_\_\_\_, Examiner  
Oil Conservation Division

SALLY W. BOYD, C.S.R.  
Rt. 1 Box 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 455-7409







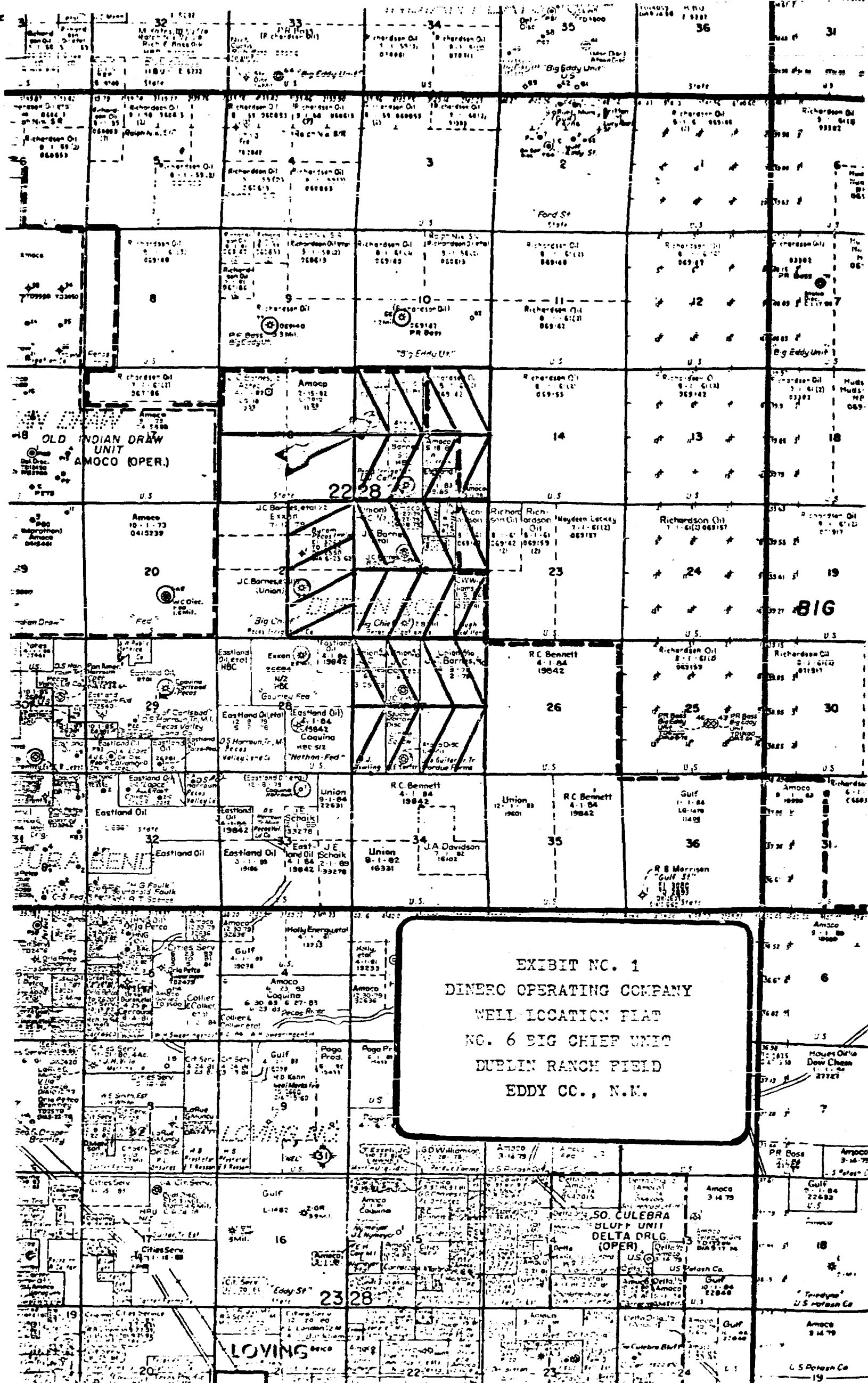
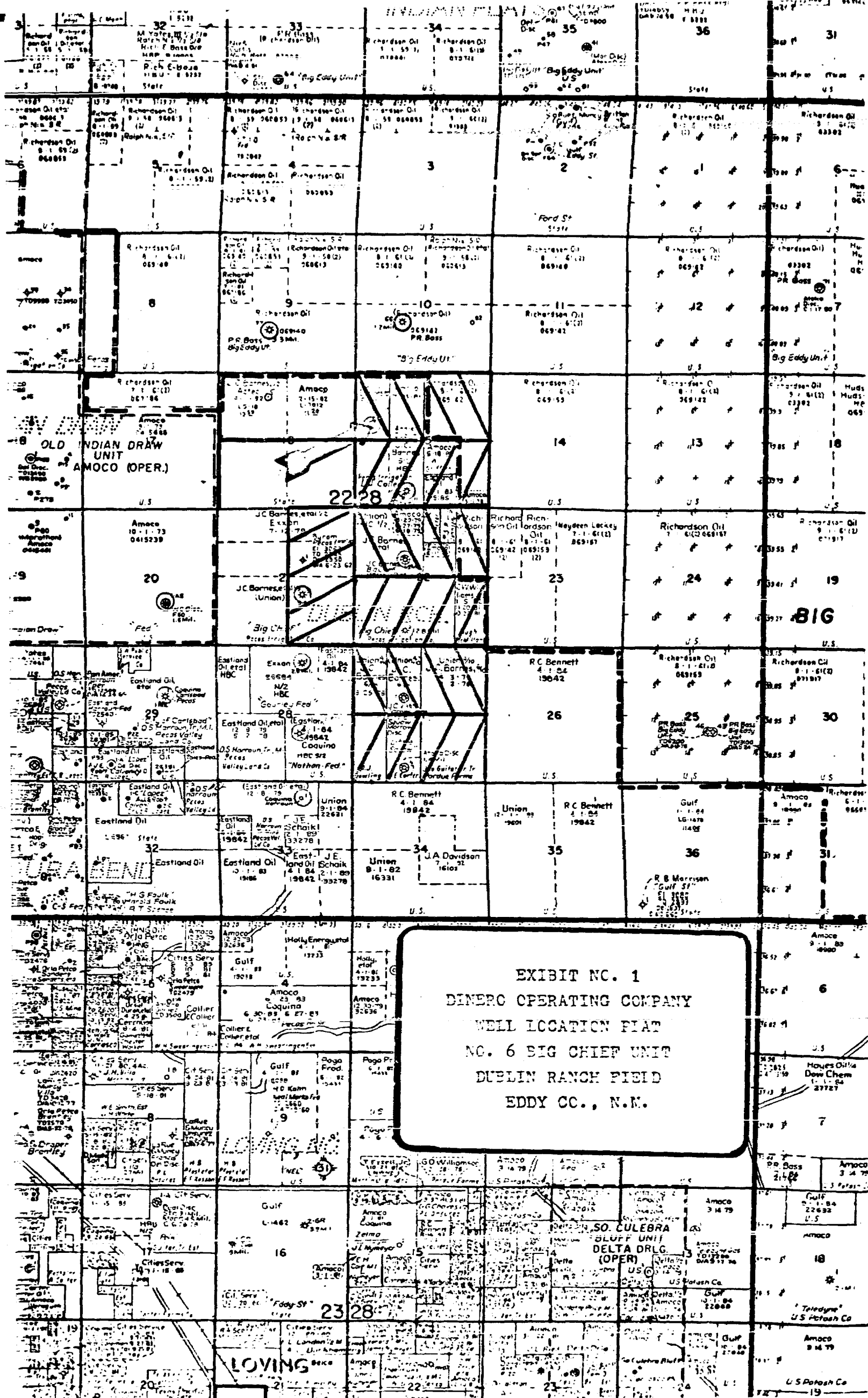


EXHIBIT NO. 1  
DINERO OPERATING COMPANY  
WELL LOCATION PLAT  
NO. 6 BIG CHIEF UNIT  
DUBLIN RANCH FIELD  
EDDY CO., N.M.





CASE 7170: (Continued from February 25, 1981, Examiner Hearing)

Application of Threshold Development Company for an NCPA 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. 1 in Unit F of Section 10, Township 19 South, Range 29 East.

CASE 7189: Application of Threshold Development Company for an NCPA determination, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir determination in the Morrow formation for its Conoco 7 State Well No. 1 in Unit N of Section 7, Township 19 South, Range 29 East.

CASE 7190: Application of Threshold Development Company for an NCPA determination, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir determination in the Atoka formation for its Conoco 10 State Com. Well No. 1 in Unit I of Section 10, Township 19 South, Range 29 East.

CASE 7191: Application of Southland Royalty Company for an unorthodox well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location in the Potash-Oil Area of its State "14-A" Com. Well No. 1 1325 feet from the North line and 2303 feet from the East line of Section 14, Township 19 South, Range 29 East, Turkey Track Field.

CASE 7192: Application of Southland Royalty Company for an NCPA determination, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir determination in the Morrow formation for its Parkway A State Com. Well No. 1 in Unit H of Section 15, Township 19 South, Range 29 East.

CASE 7193: Application of Southland Royalty Company for an NCPA 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 State 14 Com. Well No. 1 in Unit E of Section 14, Township 19 South, Range 29 East.

CASE 7194: Application of Southland Royalty Company for an NCPA determination, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir determination in the Morrow formation for its Parkway State Well No. 1 located in Unit K of Section 15, Township 19 South, Range 29 East.

CASE 7195: Application of Southland Royalty Company for an NCPA 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 State 14 Well No. 1-A in Unit B of Section 14, Township 19 South, Range 29 East.

CASE 7196: Application of Dinero Operating Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox location 1980 feet from the North line and 660 feet from the West line of Section 15, Township 22 South, Range 28 East, Pennsylvanian formation, the N/2 of said Section 15 to be dedicated to the well.

CASE 7153: (Readvertised)

Application of C & E Operators, Inc. for compulsory pooling and a non-standard proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mesaverde formation underlying a 158.54-acre non-standard gas proration unit comprising the SW/4 of Section 8, Township 30 North, Range 11 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.

CASE 7197: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating and extending vertical and horizontal limits of certain pools in Chaves, Eddy, and Lea Counties, New Mexico:

(a) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the Bilbrey-Morrow Gas Pool. The discovery well is Getty Oil Company Getty 32 State Com Well No. 1 located in Unit G of Section 32, Township 21 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 32 EAST, NMPM  
Section 32: E/2

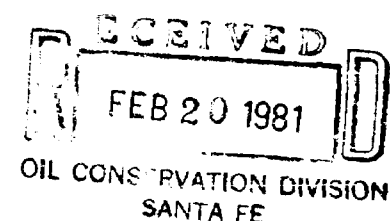
CAMPBELL, BYRD & BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
HARL D. BYRD  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
WILLIAM G. WARDLE

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POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87501  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6043

February 19, 1981

Mr. Joe D. Ramey  
Director  
Oil Conservation Division  
New Mexico Department of  
Energy and Minerals  
Post Office Box 2208  
Santa Fe, New Mexico 87501



Case 7196

Re: Application of Dinero Operating Company for  
an Unorthodox Gas Well Location, Eddy County,  
New Mexico

Dear Mr. Ramey:

Enclosed in triplicate is the application of Dinero Operating Company in the above-referenced matter.

The applicant requests that this matter be included on the docket for the examiner hearing scheduled to be held on March 11, 1981.

Very truly yours,

A handwritten signature in cursive script, appearing to read "William F. Carr".

William F. Carr

WFC:lr

Enclosures

cc: Mr. Russ Ramsland  
Mr. Royce Lawson



RECEIVED  
FEB 20 1981  
BEFORE THE OIL CONSERVATION DIVISION  
SANTA FE  
OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

IN THE MATTER OF THE APPLICATION  
OF DINERO OPERATING COMPANY FOR  
AN UNORTHODOX GAS WELL LOCATION,  
EDDY COUNTY, NEW MEXICO.

Case 7196

APPLICATION

Comes now DINERO OPERATING COMPANY, by and through its undersigned attorneys, and hereby makes application to the Oil Conservation Division for an unorthodox well location and in support thereof would show the Division:

1. Applicant is the operator of the Pennsylvanian formation underlying the N/2 of Section 15, Township 22 South, Range 28 East, N.M.P.M. and proposes to drill its Big Chief No. 6 Well at a point 1980 feet from the North line and 660 feet from the West line of said Section 15.
2. Applicant seeks an exception to the well location requirements of Rule 104 C II(a) of the Oil Conservation Division to permit the drilling of the well at the above-mentioned orthodox location to a depth sufficient to adequately test all formations in the Pennsylvanian system.
3. That a standard 320 acre gas proration unit comprising the N/2 of said Section 22 should be dedicated to the Big Chief No. 6 Well.
4. That approval of its application will afford applicant the opportunity to produce its just and equitable share

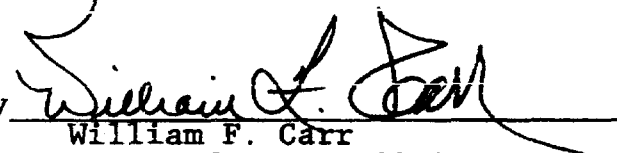
of the gas in the Dublin Ranch Morrow Gas Pool and the Dublin Ranch Atoka Gas Pool and will otherwise be in the best interest of conservation, the protection of correlative rights and the prevention of waste.

WHEREFORE, Applicant requests that this matter be set for hearing before a duly appointed examiner of the Oil Conservation Division on March 11, 1981, that notice be given as required by law and the rules of the Division, and that the Division enter its order approving the unorthodox location of the Big Chief No. 6 Well and providing such other and further relief as is proper in the premises.

Respectfully submitted,

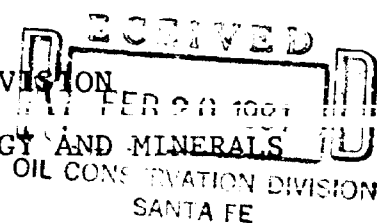
CAMPBELL, BYRD AND BLACK, P.A.

By



William F. Carr  
Post Office Box 2208  
Santa Fe, New Mexico 87501  
Attorneys for Applicant

BEFORE THE  
OIL CONSERVATION DIVISION  
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS  
OIL CONSERVATION DIVISION  
SANTA FE



IN THE MATTER OF THE APPLICATION  
OF DINERO OPERATING COMPANY FOR  
AN UNORTHODOX GAS WELL LOCATION,  
EDDY COUNTY, NEW MEXICO.

Case 7196

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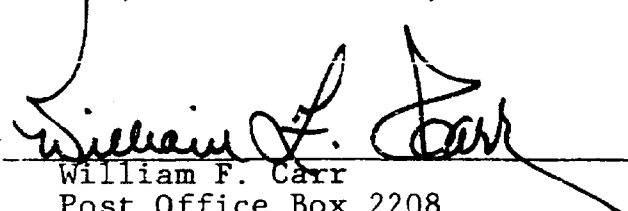
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Respectfully submitted,

CAMPBELL, BYRD AND BLACK, P.A.

By

  
William F. Carr  
Post Office Box 2208  
Santa Fe, New Mexico 87501  
Attorneys for Applicant

BEFORE THE  
OIL CONSERVATION DIVISION  
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS  
OIL CONSERVATION DIVISION  
STATE

RECEIVED  
FEB 20 1981

IN THE MATTER OF THE APPLICATION  
OF DINERO OPERATING COMPANY FOR  
AN UNORTHODOX GAS WELL LOCATION,  
EDDY COUNTY, NEW MEXICO.

Case 7196

APPLICATION

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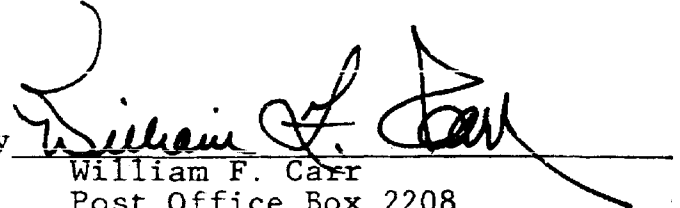
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Respectfully submitted,

CAMPBELL, BYRD AND BLACK, P.A.

By

  
William F. Carr  
Post Office Box 2208  
Santa Fe, New Mexico 87501  
Attorneys for Applicant

DRAFT

dr/

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. 7196

ORDER NO. R- 6638

APPLICATION OF DINERO OPERATING 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 March 11,  
19 81, at Santa Fe, New Mexico, before Examiner Richard L. Stamets

NOW, on this \_\_\_\_\_ 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, Dinero Operating Company,  
seeks approval of an unorthodox gas well location 1980  
feet from the North line and 660 feet from the  
West line of Section 15, Township 22 South  
Range 28 East, NMPM, to test the Pennsylvanian  
formation, Eddy,  
County, New Mexico.

(3) That the N/2 of said Section 15 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 <sup>the application of Dinoso Operating Company for</sup> an unorthodox gas well location for the Pennsylvanian formation is hereby approved for a well to be located at a point 1980 feet from the North line and 660 feet from the West line of Section 15, Township 22 South, Range 28 East NMPM, \_\_\_\_\_, \_\_\_\_\_ <sup>1991</sup>, Eddy County, New Mexico.

(2) That the N/2 of said Section 15 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.