

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING)
CALLED BY THE OIL CONSERVATION)
DIVISION FOR THE PURPOSE OF)
CONSIDERING:) CASE NO. 11,388
)
APPLICATION OF EXXON CORPORATION)
_____)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

ORIGINAL

BEFORE: DAVID R. CATANACH, Hearing Examiner

September 21, 1995

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, September 21st, 1995, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

September 21st, 1995
Examiner Hearing
CASE NO. 11,388

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APPLICANT'S WITNESSES:

<u>WILLIAM T. DUNCAN, JR.</u> (Engineer)	
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* * *

E X H I B I T S

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* * *

A P P E A R A N C E S

FOR THE APPLICANT:

HINKLE, COX, EATON, COFFIELD & HENSLEY
218 Montezuma
P.O. Box 2068
Santa Fe, New Mexico 87504-2068
By: JAMES G. BRUCE

* * *

1 WHEREUPON, the following proceedings were had at
2 11:30 a.m.:

3 EXAMINER CATANACH: All right, at this time I'll
4 call Case 11,388, which is the Application of Exxon
5 Corporation for a nonstandard gas proration unit and an
6 unorthodox gas well location, Lea County, New Mexico.

7 Are there appearances in this case?

8 MR. BRUCE: Mr. Examiner, Jim Bruce from the
9 Hinkle law firm, representing the Applicant.

10 I have one witness to be sworn.

11 EXAMINER CATANACH: Any additional appearances?

12 Will the witness please stand to be sworn in?

13 (Thereupon, the witness was sworn.)

14 WILLIAM T. DUNCAN, JR.,

15 the witness herein, after having been first duly sworn upon
16 his oath, was examined and testified as follows:

17 DIRECT EXAMINATION

18 BY MR. BRUCE:

19 Q. Would you please state your name and city of
20 residence for the record?

21 A. My name is William Thomas Duncan, Jr., and I
22 reside in Midland, Texas.

23 Q. Who do you work for and in what capacity?

24 A. I work for Exxon Corporation as a reservoir and
25 compliance engineer.

1 Q. Have you previously testified before the
2 Division?

3 A. Yes, I have.

4 Q. And were your credentials as an expert engineer
5 accepted as a matter of record?

6 A. Yes, they were.

7 Q. And are you familiar with the matters pertaining
8 to the present Application?

9 A. Yes, I am.

10 MR. BRUCE: Mr. Examiner, I tender Mr. Duncan as
11 an expert engineer.

12 EXAMINER CATANACH: He is so qualified.

13 Q. (By Mr. Bruce) Mr. Duncan, briefly what does
14 Exxon seek in this case?

15 A. Exxon seeks to establish a nonstandard 120-acre
16 gas spacing and proration unit for the Blinebry Oil and Gas
17 Pool, comprising the south half of the southwest quarter
18 and the southwest quarter of the southeast quarter of
19 Section 2, Township 22 South, Range 37 East.

20 That unit is to be dedicated to the existing New
21 Mexico "S" State Well Number 22, located at an unorthodox
22 gas well location for the proposed gas proration unit, 800
23 feet from the south line and 660 feet from the west line,
24 in Unit M of Section 2.

25 The formation of the proposed 120-acre gas

1 proration unit is to replace the existing 80-acre
2 nonstandard gas proration unit, comprising the south half
3 of the southwest quarter of said Section 2, approved by
4 Division Administrative Order NSP-1734(L), dated August
5 7th, 1995.

6 Q. What is Exhibit 1?

7 A. Exhibit 1 is a map showing that portion of Lea
8 County, New Mexico around and southeast of the City of
9 Eunice.

10 Highlighted in yellow in Section 2, Township 22
11 South, Range 37 East, is the 120-acre nonstandard Blinebry
12 gas proration unit being requested by Exxon. The proposed
13 gas proration unit would be dedicated to our New Mexico "S"
14 State Well Number 22 well, located in the southwest quarter
15 of the southwest quarter of Section 2.

16 Q. Moving on, what is your Exhibit 2?

17 A. Exhibit Number 2 is a copy of Form C-103, which
18 was submitted and approved for the proposed work on Well
19 Number 22.

20 Q. Okay. And what does the second page of this
21 exhibit show?

22 A. This June 13th, 1995, filing notified the
23 Division of Exxon's intent to add additional Blinebry
24 perforations uphole and fracture stimulate. We believe the
25 result will be a gas completion and request an

1 administrative approval of an unorthodox gas well location,
2 800 feet from the south and 660 from the west line.

3 And we also mistakenly requested administrative
4 approval of a nonstandard 120-acre gas proration unit,
5 consisting of Unit Letters M, N, and O, as shown in the
6 bottom of the second page of Exhibit 2.

7 As shown, this "After" sketch on page 2 of the
8 exhibit, it is that latter part of our request that we're
9 now requesting after approval for after notice and hearing,
10 as required by NMOCD rules.

11 Other aspects of the administrative application
12 were approved by the NMOCD pursuant to Administrative Order
13 NSP-1734(L) dated August 7th, 1995. As shown in the
14 "Before" sketch, a 120-acre nonstandard gas proration unit
15 consisting of Unit Letters J, O and P, was granted on May
16 3rd, 1993, by NSP-1668(SDL). This nonstandard unit is no
17 longer needed since Well Number 24 has been temporarily
18 abandoned, well Number 23 is shut in, and well Number 33
19 has become an oil well.

20 This change will allow Unit Letter O to be used
21 for Well Number 22's 120-acre nonstandard gas proration
22 unit.

23 Well Number 25 in Unit Letter N will be shut in
24 before the Number 22 is produced as a gas well.

25 Q. Would you please move on to your Exhibit 3 and

1 discuss a little bit more production in the area?

2 A. Exhibit Number 3 is a plat showing the Blinebry
3 wells and the proration units around Exxon's requested
4 nonstandard unit. All of the wells shown are or were
5 Blinebry completions.

6 Current Blinebry oil proration units are
7 indicated by dotted lines, and current Blinebry gas
8 proration units are indicated by the dashed lines. The
9 only exception to this convention is in Section 2 where we
10 have depicted our requested proration units rather than the
11 current units.

12 Also shown to the lower right of each well symbol
13 is the current production from the well, above the
14 horizontal line, and the cumulative production from the
15 well, below the horizontal line. To the left of the slash
16 is oil production, to the right of the slash is gas
17 production.

18 This exhibit shows that the proposed nonstandard
19 unit is productive throughout, as evidenced both by the
20 successful completions on the gas proration unit and by
21 successful completions in all directions from the gas
22 proration unit.

23 Q. Mr. Duncan, one thing on here, the northwest
24 quarter of the southeast quarter of Section 2 will not be
25 dedicated to any well at this time; is that correct?

1 A. That is correct.

2 Q. What is Exhibit 4?

3 A. Exhibit Number 4 shows the operators offsetting
4 the proposed nonstandard unit. Exxon operates to the
5 north, John Hendrix, Chevron and Arch to the west and
6 southwest, Marathon to the south, Hendrix to the east and
7 southeast. Addresses are shown on page 2.

8 Q. And was notice of this Application given to those
9 offset operators?

10 A. Yes, it was.

11 Q. And what is Exhibit 5?

12 A. Exhibit Number 5 is an affidavit of notice.

13 Q. Okay, and this contains your notice letter and
14 the copies of the certified return receipts; is that
15 correct?

16 A. That's correct. The certified return receipts
17 are included as the last page.

18 Q. Okay. In your opinion, is the granting of this
19 Application in the interests of conservation and the
20 prevention of waste?

21 A. Yes, it is.

22 Q. And were Exhibits 1 through 5 prepared by you or
23 compiled by company records?

24 A. Yes, they were.

25 MR. BRUCE: Mr. Examiner, we would move the

1 admission of Exxon's Exhibits 1 through 5.

2 EXAMINER CATANACH: Exhibits 1 through 5 will be
3 admitted as evidence.

4 EXAMINATION

5 BY EXAMINER CATANACH:

6 Q. Let's run through this one more time. All right,
7 there is an existing 120-acre gas proration unit in Section
8 2, comprising Unit Letters J, O, P; is that correct?

9 A. That is correct.

10 Q. That was approved by NSP-1668?

11 A. That's correct. That was on May 3rd, 1993.

12 Q. Okay. That proration unit is dedicated to Well
13 Numbers 23, 24 and 33?

14 A. That's correct.

15 Q. Okay. There's also an existing 80-acre unit
16 comprising the south half of the southwest quarter, Section
17 2?

18 A. That's right. That was granted as a result of
19 our request for administrative approval of this
20 Application. The Division granted that request -- or
21 granted that 80-acre unit so that we could begin work if we
22 needed to on that well.

23 Q. That was just kind of an interim thing --

24 A. That's correct.

25 Q. -- not even start working on the well?

1 A. We mistakenly requested administrative approval
2 of the 120. It extended outside of the quarter section,
3 and the Division informed us and reminded us that the rules
4 required that to go to hearing.

5 But to allow us to work on the well if we wanted
6 to, they went ahead and granted the unorthodox location and
7 the 80-acre nonstandard unit, and that was in
8 Administrative Order NSP-1734(L).

9 Q. Okay. So what we're going to have to do is
10 actually rescind -- Wait a minute.

11 MR. BRUCE: Rescind NSP-1668.

12 EXAMINER CATANACH: Rescind NSP-1668 or supersede
13 it in some form or fashion.

14 Q. (By Examiner Catanach) What -- Well, before we
15 get into that, this existing Well Number 22 was previously
16 not a Blinebry well?

17 A. It actually was previously a Blinebry oil well.

18 Q. Okay. Now, you added some perfs and it is now a
19 gas well?

20 A. We are going to add some perfs, and we are pretty
21 sure it will be a gas well.

22 Q. Okay. Current status of the Number 25 --

23 A. -- is actually producing. It will be shut in as
24 soon as the 22 is shot in the gas-productive portion of the
25 section.

1 Q. Is 25 an oil or a gas well?

2 A. It's currently an oil well and will remain so.

3 Q. Okay. Number 25 will be shut in?

4 A. It will be shut in upon completion of the 22 as a
5 gas well.

6 Q. What will ultimately be done with Number 25?

7 A. I don't know the plans for the wellbore. I
8 assume that it will be utilized either in another horizon
9 or utilized in this horizon at a later date. It will be
10 temporarily idle.

11 Q. It will not be produced at the same time as
12 Number 22 is produced?

13 A. That's correct, if Number 22 is a gas well. For
14 instance, if Number --

15 Q. I sure hope it is, after all this trouble.

16 A. Me too. I hope it's a good one too.

17 MR. BRUCE: If not, we'll re-orient the unit.

18 (Off the record)

19 THE WITNESS: The front page of Exhibit 2 shows
20 that we are adding quite a significant number of
21 perforations about 300 feet uphole. It does look like that
22 will cause it to be a gas well.

23 Q. (By Examiner Catanach) Okay. Now, let's get to
24 the other proration unit. Well Number 24, is that
25 currently a gas well?

1 A. Well Number 24 is currently temporarily
2 abandoned.

3 Q. Is that a TA'd gas well?

4 A. I'm not exactly sure whether it's TA'd within
5 your terminology, the Division's terminology, or TA'd
6 within Exxon's. I believe that it is TA'd within Exxon's,
7 and it may -- which means that we have set a bridge plug
8 and cement to hold the wellbore and preserve it.

9 It may also have temporarily abandoned status
10 with the NMOCD, but I don't know the answer to that
11 question.

12 Q. That well will not be produced any time in the
13 near future in the Blinebry?

14 A. It does not appear so, although it is in that
15 unit letter that will be freed up, and there are plans to
16 work on a well in that unit, but I'm not sure whether it's
17 the 24 or another well.

18 Q. So there's a chance that you may form a 40-acre
19 nonstandard unit to dedicate to a well in that quarter-
20 quarter section?

21 A. Well, it also may be an oil proration unit.

22 Q. Right, okay. 23, what's the status of that well?

23 A. Number 23 is shut in.

24 Q. Gas well?

25 A. It was. It was a gas well, and it's now shut in.

1 And the Number 33 is a gas well -- or was a gas well, and
2 its GOR changed and it's now an oil well.

3 Q. What are the plans for 23?

4 A. At the current time, none.

5 Q. Will not be produced? It's a gas well.

6 A. I can assure you that we'll be looking at
7 utilizing 24 and 23, but as yet we don't have plans for
8 those. We're not applying for anything for those wells
9 here today.

10 Q. Okay. Number 33, now, an oil well, has that been
11 dedicated to that 40-acre unit?

12 A. That's correct.

13 Q. There's already been paperwork submitted on that?

14 A. I don't -- I haven't seen any. I assume that
15 there was. I didn't pull the files and check.

16 Q. Okay. And you don't know that there's been
17 anything done with Unit J at this point?

18 A. I know that Unit J is undedicated, or will be
19 undedicated. We have no -- We don't know what we're going
20 to do with Unit J. We don't need it right now for these
21 wells.

22 EXAMINER CATANACH: All right. I think I'm
23 getting a clear picture of this.

24 MR. BRUCE: There are 43 wellbores in this
25 section, so we'll be back.

1 Q. (By Examiner Catanach) Okay. So what I see us
2 doing is superseding 1734 or -- yeah, superseding that
3 order, and also 1668.

4 All you're seeking here today is to get the 120-
5 acre proration unit approved and the unorthodox gas well
6 location for the 22?

7 A. Well, actually I believe the unorthodox gas well
8 location for the 22 was approved in NSP-1734, I believe it
9 was. So I think all we're asking for is the 120-acre
10 nonstandard unit.

11 MR. BRUCE: The Application we filed was only for
12 the nonstandard unit -- or I guess it was for an unorthodox
13 gas well location, just to be safe.

14 EXAMINER CATANACH: Okay.

15 MR. BRUCE: Or no, it was just for a nonstandard
16 gas proration unit.

17 THE WITNESS: I believe we have a copy of that
18 order, if you'd like to have a copy for the records. I
19 know you have it in your files, but --

20 EXAMINER CATANACH: Yeah, I think we can probably
21 get it.

22 Q. (By Examiner Catanach) Will Well Number 22
23 efficiently drain and develop that proration unit?

24 A. It will produce sufficient gas to require or to
25 satisfy the allowable that you'll get with a 120. That is

1 my belief. Wells in that section will drain that acreage
2 that are dedicated to other Blinebry wells. Now, this well
3 may not drain all of Unit Letter O, but other wells in that
4 section have or will.

5 Q. Will it drain a portion of Unit O?

6 A. Yes, I believe so.

7 Q. Okay. Will this action adversely affect any
8 interest owners in Section 2?

9 A. I do not believe so.

10 Q. And it should have virtually no effect on any
11 offset operators?

12 A. No, and they've been notified twice of this
13 effort, once in June and once prior to this hearing, and
14 neither time have they voiced any objection at all.

15 EXAMINER CATANACH: Okay. Okay, I think that's
16 all I have.

17 However, I would like to request a rough draft
18 order, Mr. Bruce.

19 MR. BRUCE: Sure.

20 EXAMINER CATANACH: And a written summary of the
21 current statuses of the wellbores and the plans or -- more
22 or less what we discussed in the testimony. I'd just kind
23 of like a written summary.

24 MR. BRUCE: For all 43 wellbores in the unit?

25 EXAMINER CATANACH: Maybe next time. Just the

1 ones we discussed today.

2 And with that, is there anything further you
3 have?

4 MR. BRUCE: No, sir.

5 EXAMINER CATANACH: Okay. There being nothing
6 further, this case, 11,388, will be taken under advisement.

7 (Thereupon, these proceedings were concluded at
8 11:50 a.m.)

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the examination hearing of Case No. 11388
heard by me on 9/21 1998.
David R. Catanach, Examiner
Oil Conservation Division

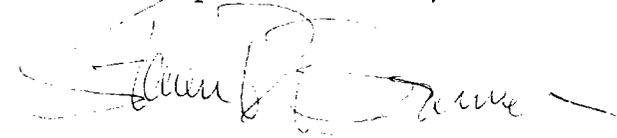
CERTIFICATE OF REPORTER

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

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL September 27th, 1995.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 1998