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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
March 9, 1977

EXAMINER HEARING

IN THE MATTER OF:)
)
)

Case 5117 being reopened pursuant to) CASE
the provisions of Order No. R-4691-A,) 5117
which order extended the temporary) (Reopened)
special pool rules for the North Dagger)
Draw-Upper Pennsylvanian Pool, Eddy)
County, New Mexico.)
)

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil Conservation Commission: Lynn Teschendorf, Esq.
Legal Counsel for the Commission
State Land Office Building
Santa Fe, New Mexico

For the Applicant: Clarence E. Hinkle, Esq.
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& HENSLEY
Attorneys at Law
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Roswell, New Mexico

For Yates Petroleum: Joel M. Carson, Esq.
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300 American Home Building
Artesia, New Mexico

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I N D E X

ROGER HANKS

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1 MR. NUTTER: We will call Case Number 5117.

2 MS. TESCHENDORF: Case 5117 in the matter of Case
3 5117 being reopened pursuant to the provisions of Order No.
4 R-4691-A, which order extended the temporary special pool
5 rules for the North Dagger Draw-Upper Pennsylvanian Pool,
6 Eddy County, New Mexico.

7 MR. HINKLE: Clarence Hinkle, Hinkle, Cox, Eaton,
8 Coffield and Hensley, appearing on behalf of Roger Hanks. We
9 have the same witness. If it is all right I would like for
10 the record to show that he has been sworn.

11 MR. NUTTER: The record will show that Mr. Hanks is
12 still under oath.

13 MR. CARSON: Mr. Examiner, my name is Joel Carson,
14 Losee & Carson P.A., Artesia, and I simply have a statement
15 I would like to read at the appropriate time in behalf of
16 Yates Petroleum.

17 MR. NUTTER: In Case Number 5117?

18 MR. CARSON: Yes, sir.

19 MR. NUTTER: Okay, we will call for you.

20
21 ROGER HANKS
22 called as a witness, having been previously sworn, was examined
23 and testified as follows:

24 DIRECT EXAMINATION

25 BY MR. HINKLE:

1 Q. State your name and residence?

2 A. Roger Hanks, Midland, Texas.

3 Q. Are you the principal owner of the leasehold
4 interest in the North Dagger Draw Unit?

5 A. Yes, sir, I am.

6 Q. The Pennsylvanian Pool?

7 A. Yes, sir.

8 Q. Have you previously testified before the Commission?

9 A. Yes, sir.

10 Q. And qualified as a Petroleum Geologist?

11 A. Yes, sir.

12 Q. And your qualifications are a matter of record with
13 the Commission?

14 A. Yes, sir.

15 Q. And you previously testified in this case?

16 A. Yes, sir.

17 MR. HINKLE: Are his qualifications sufficient?

18 MR. NUTTER: Yes, they are.

19 Q. (Mr. Hinkle continuing.) Refer to Exhibit One and
20 explain what this is and what it shows?

21 A. This is a similar exhibit to the other and it's a
22 plat showing all of the producing wells in the North Dagger
23 Draw-Upper Penn Field and each of the pressure data on a
24 known previous bottom-hole pressure and the most recent which
25 were taken in January and February on each of the wells and a

1 copy of this bottom-hole pressure data is attached, along with
2 a copy of the oil, gas and water production of each of the
3 wells in this North Dagger Draw Field.

4 Q State briefly the changes which have been made, that
5 is the pressure changes, as shown by the plat and the other
6 exhibits.

7 A Okay, the Commission saw fit last year to reduce the
8 proration units on a temporary basis to a hundred and sixty
9 acres of which we undertook a drilling program at the time and
10 to develop these locations to see if we possibly were -- if
11 we could drain from a smaller unit or whatever, we really
12 didn't know at the time. The original pressures are on the
13 top, in the little bracket by each well, where known. There
14 again, I have cause for reasonable doubt on one pressure that
15 is in there but generally speaking they show a definite
16 decline over this past eight-month period and I feel like that
17 we were adequately draining the reservoir from these hundred and
18 sixty acre spacing units and I'm recommending that the
19 Commission grant us a permanent spacing order for this field
20 and also the depth of allowable which was increased, I believe,
21 to three hundred and fifty barrels.

22 Q Are the wells making the allowable at the present
23 time?

24 A I have five wells, I believe, that are close to
25 making their allowables and the other seven are not. They

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1 are less than that. We are selling approximately forty-three
2 thousand barrels of oil there.

3 Q The plat which is attached to Exhibit One also
4 shows the ownership of all of the acreage in the area?

5 A Yes, sir.

6 Q And I believe you testified that the other exhibits
7 which are attached to the report simply show the pressures,
8 results of each well of the pressures that were taken and also
9 the production history, cumulative production, the present
10 production and the water production?

11 A Yes, sir, I believe those are through January 31st.

12 Q Has there been any substantial change in the water
13 production in this pool?

14 A Yes, sir, there has. The oil has gone up and the gas
15 has gone up and the water is going down. Well, they have almost
16 reversed themselves a hundred percent in the last six months.

17 Q And you are recommending to the Commission that the
18 existing rules be made permanent, as well as the depth allowable?

19 A Yes, sir, I would never drill them on any smaller
20 patterns.

21 Q In your opinion, if these rules are made permanent
22 and the depth allowable will be in the interest of conservation
23 and the prevention of waste?

24 A Yes, sir.

25 MR. HINKLE: We would like to offer Exhibit One.

1 MR. NUTTER: Exhibit One in Case Number 5117 will
2 be admitted into evidence.

3 (THEREUPON, Applicant's Exhibit One was
4 admitted into evidence.)

5

6 CROSS EXAMINATION

7 BY MR. NUTTER:

8 Q Mr. Hanks, after the Commission changed the pool
9 rules in here and went from three hundred and twenty to a
10 hundred and sixty acre spacing, which were the wells that were
11 drilled, the infield wells?

12 A Okay, they would be the Barbara 5 which is in the
13 southeast of the northwest of 18; the Barbara 6 which is in
14 the northwest of the southeast of 18; and then the Julie Com
15 in the southeast of the northeast of Section 17; and then
16 the Barbara Federal No. 7 which is in the northwest of the
17 southeast of Section 17; and then the Molly Com over in
18 Section 13, which is in the southeast of the southeast quarter
19 of Section 13.

20 Q Okay, now, in Section 18, the original two wells were
21 the wells that are in the northeast quarter and the southwest
22 quarter?

23 A Yes, sir.

24 Q And they had original bottom-hole pressures in the
25 neighborhood of three thousand pounds?

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1 A. Yes, sir. If you will notice over there in 17, I
2 don't believe that one is thirty-four, thirty-seven. I don't
3 believe that in my Barbara 3, I just don't agree with that
4 pressure but I had to write it down because that's what it
5 said.

6 Q. But the other two wells that were originally drilled
7 had in the neighborhood of three thousand pounds so you think
8 maybe that one is a little high, do you?

9 A. Yes, sir, I do. And the other reason for the other
10 pressures being lower is that the dates and times that they
11 were drilled, they fell into somewhat a drainage pattern. For
12 instance, the Barbara 5, its original bottom-hole pressure is
13 considerably less but the Barbara 1 had done quite a bit of
14 work to the reservoir before that well was drilled.

15 Q. That was what I was wondering if the original bottom-
16 hole pressures on these infield wells being lower could be
17 attributed to the fact that the original wells had drained
18 the reservoir to some extent?

19 A. Yes, sir, I agree.

20 Q. Now, the three wells that are down in the south end
21 of the pool, they are all old wells are they?

22 A. Well, let's see, the Dagger Draw No. 2 is over in
23 the northeast of the southeast of 30 and it is only about a
24 year and a half old. So there has got to be some effect from
25 drainage in there.

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1 Q. It had an original bottom-hole pressure of
2 twenty-three, forty?

3 A. Yes, sir, and I don't believe that either. That was
4 by drill stem test, running in the early sixties, I think.

5 Q. So we discount that well?

6 A. Yes, sir. I have no reason not to believe that
7 it is two thousand pounds and one significant thing about
8 these pressure tests we ran, we tried to hit them all pretty
9 close to twenty-five hours so we would strike some form of
10 uniformity in looking at the reservoir data and so if you
11 will notice on each one of those they are about to run in
12 that form but it appears to me that it's showing sort of a
13 tier of pressure decline. That is on the west side, which are
14 structurally higher wells, you've got a relatively, say a
15 eighteen hundred, nineteen hundred pound line, then you move
16 east and you go down to a fifteen or sixteen hundred pound
17 line and then you go still further east and you drop down to a
18 fourteen hundred pound and that's about from thirty-five to
19 sixty feet in structural difference you go down each terrace.

20 Now, the water production is about the same in all
21 of the wells with the exception of the Barbara 1 and it's much
22 higher in that well than it is in any of the others.

23 Q. And where's it?

24 A. Well, that's the one in the southeast-northeast of
25 18. But it structurally is laying slightly off the feature

1 but it produces a lot more water than the wells over in
2 Section 17 do.

3 Q Which are much lower than it is?

4 A Yes, about fifty or sixty feet.

5 Q Well, these wells here appear to be considerably
6 better wells than the wells down south that we were talking
7 about in the previous case?

8 A Yes, much better, yes, sir. I feel like that this
9 is a bottom-hole pressure, if you allow these things to shut
10 in for say, a week, you shut them in for a week, I think you
11 will see a pretty uniform two thousand pounds or better
12 pressure. I think we've reduced by production the reservoir
13 pressure in the neighborhood of thirty percent.

14 Q If gas production is declining in here as you
15 said it was, are you going to have sufficient gas to continue
16 to be able to gas lift these wells?

17 A Oh, yes.

18 Q You will?

19 A Oh, yes, I don't have any appreciable decline in gas
20 production, it just stays.

21 Q It's just the ratio between the gas and the oil that's
22 changing?

23 A Yes, the oil is coming up and the water is going
24 down. Of course, the gas comes up with the oil too.

25 MR. NUTTER: Are there any further questions of

1 Mr. Hanks? He may be excused.

2 (THEREUPON, the witness was excused.)

3 MR. NUTTER: Do you have anything further, Mr. Hinkle?

4 MR. HINKLE: That's all.

5 MR. NUTTER: Does anyone have anything they wish to
6 offer in Case Number 5117?

7 MR. CARSON: Mr. Nutter, as I previously said, my
8 name is Joel Carson appearing here on behalf of Yates
9 Petroleum and I will read this statement, which I guess I
10 might say I originally thought was in opposition to this
11 application but as I hear Mr. Hanks it is probably in support
12 of it.

13 It says: (Reading) Yates Petroleum Corporation,
14 being a present royalty owner and a potential working interest
15 owner in portions of the North Dagger Draw-Upper Pennsylvanian
16 Pool, is of the opinion that it is premature to reduce the
17 size of the present one hundred and sixty acre proration units
18 in this pool because of the uncertainty which the large water
19 disposal problems have on the economics of producing hydrocarbons
20 from this pool and because as yet the pool is incompletely
21 developed on one hundred and sixty acre spacing. (End of
22 reading.)

23 I assume that Yates was concerned that there might
24 be some effort to reduce it below a hundred and sixty and if
25 I understood it, that is not what the idea is at all?

1 MR. HINKLE: No.

2 MR. NUTTER: Mr. Hanks, you are proposing that the
3 pool rules as they are remain in effect?

4 MR. HANKS: Yes, sir.

5 MR. NUTTER: Which is a hundred and sixty acre spacing
6 and a special depth bracket allowable, I believe of three,
7 fifty?

8 MR. HANKS: Yes, sir.

9 MR. NUTTER: Or whatever it is.

10 Does anyone else have anything for Case Number 5117?

11 We will take the case under advisement and take a fifteen
12 minute recess.

13 (THEREUPON, the hearing was in recess.)
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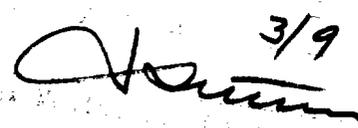
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