

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
February 19, 1975

EXAMINER HEARING

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IN THE MATTER OF: )

                  Application of Hilliard Oil and Gas )

                  Incorporated, for special pool rules, )

                  Lea County, New Mexico.                  )

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Case No.  
5422

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:	Thomas Derryberry, Esq. Legal Counsel for the Commission State Land Office Bldg. Santa Fe, New Mexico
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For the Applicant:	Thomas Kellahin, Esq. Kellahin & Fox 500 Don Gaspar Santa Fe, New Mexico
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I N D E X

RICHARD W. SCHULTZ

	<u>PAGE</u>
Direct Examination by Mr. Kellahin	3
Cross Examination by Mr. Nutter	8

E X H I B I T S

	<u>Marked</u>	<u>Admitted</u>
Applicant's Exhibits Nos. 1 through 4	--	11

MR. NUTTER: We call Case No. 5422.

MR. DERRYBERRY: Case 5422. Application of Hilliard Oil and Gas, Incorporated, for special pool rules, Lea County, New Mexico.

MR. KELLAHIN: Tom Kellahin of Kellahin & Fox, Santa Fe, appearing on behalf of the Applicant. I have one witness to be sworn.

(Witness sworn.)

RICHARD W. SCHULTZ

called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, by whom you are employed and in what capacity?

A My name is Richard W. Schultz; I'm employed by Hilliard Oil and Gas as Exploration Manager.

Q Mr. Schultz, have you previously testified before this Commission and had your qualifications as an expert witness accepted and made a matter of record?

A Yes.

Q And are you familiar with the facts surrounding this particular Application?

A Yes.

MR. KELLAHIN: If the Examiner please, are the Witness' qualifications acceptable?

MR. NUTTER: Yes, they are.

BY MR. KELLAHIN:

Q Mr. Schultz, will you please refer to what has been marked as Applicant Exhibit No. 1, identify it, and state briefly what the Applicant is seeking?

A This Exhibit No. 1 is basically subsurface contour map on top of EK-Bone Spring pay that we request 80-acre spacing on with the privilege of being able to locate your well in either 40-acre tract within the 80.

Q Please refer to what has been marked as Exhibit No. 2 and identify it.

A Right. Exhibit No. 2 is a composite of the logs run in the well and an ownership map of the area showing which acreage we now control at the present time as working interest operator.

Q I was going to ask you what conclusions that you drew from Exhibit No. 2?

A Well, from Exhibit 2 it has data on the DST pressures, log analysis, and how the well was completed.

Q Please refer to what has been marked as Exhibit

No. 3 . Begin first with identifying the composite parts of Exhibit 3.

A Okay. There may be more data here than necessary but the first several pages are the well history with all the drill stem tests and completion data day by day; the next one is our USGS completion form which has the completion data as filed, drill stem tests and tops, and the third is a copy of the data from the DST No. 1 which was taken over the Bone Springs producing sand. You'll note here that it has good pressures but it recovered only 10 foot free oil and is obviously a sand of low permeability.

Q Please refer now to the well-performance data.

A The well-performance data is a day by day tabulation of the production from this well in which ~~when~~ it was originally completed we didn't think it would perform as well as it has; although it is a low-volume producer relative to this depth, it has performed well. The next chart on the next page is a tabulation of that day by day data, and the well currently is producing approximately 11,000 barrels of oil.

Q Based upon this information, Mr. Schultz, do you have an opinion with regard to whether this well can efficiently and economically drain an area of not less than

80 acres?

A Well, we certainly hope so; we don't have accurate data at the present time to say this, but hopefully within the next year, and reservoir pressure tests, and new wells, and drill stem tests--and we plan to core the next well--by that time we will have data to substantiate this. We do think it may be a blanket sand, however the nature of the formation is really right now not known too well, but we think it should have, and our production has indicated it does have, reservoir continuity.

Q Because of your limited information at this time, Mr. Schultz, you would request the Commission that the temporary -- that the rules for the pool be made for a temporary period of one year, is that correct?

A Right.

Q Please refer now to your reserve estimate sheet.

A Here again we don't have enough data to accurately predict the reserves so we used a volumetric method and we come out with the total of 115,000 barrels on an 80-acre tract, if it will drill an 80-acre tract, and in connection with that the next page is an AFE for our anticipated next well, and it becomes obvious that this is a low profit basis, even on 80 acres. In connection with this

the next page is the log on the Union Well, which is located about a mile and a half south and east of this, possibly two miles. This well was not tested, however it has very similar log analysis to our well and it is 200 foot structurally low.

Q In your opinion, Mr. Schultz, would it be economically feasible for your company to develop this area on less than 80-acre spacing?

A No, I don't think so, and this brings up another point. When you are looking at marginal economics, and the last page just shows a random shot out of Martin County, Texas, and the Sprayberry trend, which is being developed on 160 acres, and with that, hopefully we will have enough data to come back within this year and request 160-acre spacing.

Q How does this Sprayberry of Texas relate to the Bone Springs, New Mexico?

A Well, there are some differences as to sections. Sprayberry Deeds section as producing over there is a similar depositional environment, and an exact time correlation with the Bone Springs Formation in New Mexico.

Q Please refer to what has been marked as Exhibit No. 4 and identify it for the Examiner.

A This is the complete set of electric logs on the well, with the tops on it. Now, the drill stem tests are not on there and the completion tests are not on the big log but they are in Exhibit 2 and in the well history.

Q Were Exhibits 1 through 4 prepared by you directly or under your direction and supervision?

A Yes, they were.

Q In your opinion, Mr. Schultz, will the granting of this Application be in the best interests of conservation, the prevention of waste and the protection of correlative rights?

A Yes, I sure do. I think it is important, even though we have a price increase on our crude oil, that we start looking at things like this.

MR. KELLAHIN: That concludes our direct examination, Mr. Examiner.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Schultz, it appears from the decline curve -- granted it's not a long period of time -- but the well has leveled off and shows very stable production at the rate of around 100 barrels a day, is that correct?

A Correct, and we decided to run pipe on this well because we didn't know what it would do, and we were on the drill stem test the computer analysis, or what have you, indicated the well would have a capacity of making 12 barrels a day. This is very surprising to us and encouraging.

Q Is the well flowing?

A Flowing and pumping, a combination.

Q Has it been on that status since it was first put on production?

A Yes. It would -- if you shut it in it will flow for a couple of days and then finally it just doesn't have the permeability there to continue flowing, and with this combination it will produce at this rate.

Q Now this AFE you had was for a second well. Now that as I understand it will be in the northwest northwest of Section 32, is that correct?

A Yes, correct.

Q When do you expect that that well will be drilled?

A Well, right now we were waiting on this production data, and when you're looking at \$400,000 and \$500,000 which includes the pumping unit, our partners, Jake Hamon and Union of Cal, all wish to watch the production, but

it will be within the next month, I would say.

MR. NUTTER: Are there any further questions of the Witness? He may be excused. Do you have anything further, Mr. Kellahin?

MR. KELLAHIN: No, sir.

MR. NUTTER: Let's see, we didn't get your Exhibits here.

MR. KELLAHIN: Sir?

MR. NUTTER: You didn't offer your Exhibits.

MR. KELLAHIN: I'm sorry. We tender Exhibits 1 through 4.

MR. NUTTER: Okay. Exhibit No. 3 is this complete report?

MR. KELLAHIN: That's right.

MR. NUTTER: And Exhibit 4 would be the set of logs?

MR. KELLAHIN: That's right.

MR. NUTTER: Applicant's Exhibits Nos. 1 through 4 will be admitted into evidence.

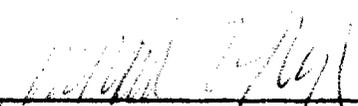
(Whereupon, Applicant's Exhibits Nos. 1 through 4 were admitted into evidence.)

MR. NUTTER: Does anyone have anything they

wish to offer in Case 5422? We will take the Case under  
advisement.

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

I, RICHARD L. NYE, Court Reporter, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me, and the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.

  
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 RICHARD L. NYE, Court Reporter

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 5422, heard by me on 2/19, 1975.  
 \_\_\_\_\_, Examiner  
 New Mexico Oil Conservation Commission