

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

21 December 1988

EXAMINER HEARING

IN THE MATTER OF:

Application of Stevens Operating Corp- CASE
oration for an unorthodox oil well lo- 9561
cation, Chaves County, New Mexico.

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division: Robert G. Stovall
Attorney at Law
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico

For Stevens Operating Corporation: Don Stevens
Attorney at Law
Roswell, New Mexico

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1 MR. STOGNER: Call next Case
2 Number 9561.

3 MR. STOVALL: Application of
4 Stevens Operating Corporation for an unorthodox oil well
5 location, Chaves County, New Mexico.

6 MR. STOGNER: Call for ap-
7 pearances.

8 MR. STEVENS: Mr. Chairman,
9 I'm Don Stevens of Roswell, New Mexico, representing the
10 applicant, Stevens Operating Corporation. I have one wit-
11 ness to be sworn, who is me, President of Stevens Oper-
12 ating corporation.

13 MR. STOVALL: Are you appear-
14 ing as an attorney or as a principal in this, Mr. Stevens?

15 A Both, if I may.

16
17 (Mr. Stevens sworn.)

18
19 MR. STEVENS: I am President
20 of Stevens Operating Corporation, Stevens Oil Company,
21 which owns the leases, also. I have testified many times
22 before the Oil Conservation Division and had my qualifica-
23 tions accepted; however, I'll be happy to go through them
24 if the Division would so like.

25 MR. STOGNER: I think we can

1 waive that, Mr. Stevens.

2 MR. STEVENS: Thank you, sir.

3 This is a request for an unorthodox
4 location in the Twin Lakes Devonian Field in Chaves
5 County, New Mexico.

6 Standard spacing in the field
7 is 80-acre spacing and normal spacing is 660 feet from
8 either end of an 80-acre tract.

9 The three previous wells are
10 spaced on 80-acre spacing. The one in the northwest north-
11 west of Section 1, Township 9 South, Range 28 East, the No.
12 1 Well is the north half of the northwest. Pardon me,
13 that's the No. 2 O'Brien "C" Well.

14 The No. 4 O'Brien "C" is in
15 the north half of the southwest quarter of that Section 1,
16 and the No. 1 O'Brien "C" is in the south half of the
17 southwest quarter of that Section 1.

18 The proposed location would be
19 unorthodox in that it would be pulled to the west at a
20 location 1870 feet from the north line, 80 feet from the
21 west line.

22 The Exhibit One merely indi-
23 cates a commercial land map and the operators and the well
24 sites in the field.

25 Exhibit Two is a tabulation of

1 offset operators or unleased mineral owners in the deep
2 rights in the area. All of these were mailed and return
3 receipt requested as noted on that. To our knowledge,
4 these are the -- all of the offset operators or unleased
5 mineral owners.

6 Those unleased mineral owners
7 are basically in -- they have a 16th in all of the east
8 half of Section 2, except the northeast quarter of the
9 northeast quarter, which is under a held by production
10 lease, which Stevens Operating Corporation operates, or did
11 operate and still owns.

12 The Exhibit Three is a struc-
13 ture contour map drawn on top of the Fusselman and I might
14 point out, this is of the Twin Lakes Devonian Field. The
15 Fusselman is the producing formation in the field, even
16 though it's called Devonian, historically the older fields
17 of this type were called Siluro-Devonian because they
18 didn't know whether it was Silurian, which is Fusselman, or
19 Devonian, so when the contour interval is on the Fusselman,
20 it is the producing formation on which the field was ori-
21 ginally called Devonian.

22 It's an asymmetrical anti-
23 cline. It has extensive seismic lines shown thereon. The
24 original Devonian wells are all shown thereon, also.

25 Note the discovery well in the

1 northwest northwest quarter. It was drilled on old seismic
2 by Magnolia Petroleum Company in 1950; discovered the
3 field, made some 46,000 barrels of oil between discovery
4 and 1964 when it was plugged back to the San Andres forma-
5 tion.

6 The second well on the field,
7 the No. 1 O'Brien "C" in the southwest southwest of Section
8 1 is the second well in the field. Again it was seismic-
9 ally located and it is still producing as of this month.
10 It's had a checkered history of on and off but it's still
11 producing.

12 The Number 3 O'Brien "C" in
13 the northwest quarter of the southwest quarter, was deplet-
14 ed after producing some 8000 barrels of oil.

15 The field is -- is -- is mar-
16 ginally commercial. If the wells are high enough, located
17 on the structure, then they can be commercial. The pro-
18 posed location is the highest point known in the area based
19 upon the subsurface geology and on the seismic lines that
20 have been run in the area. The reason for that location
21 being picked in that point as opposed to a standard loca-
22 tion is a standard location in our opinion would not be
23 commercial. All of the wells in the field are not commer-
24 cial, except possibly the O'Brien "C" 1 in the southwest
25 quarter of the southwest quarter. It is the highest well

1 currently producing in the field and the proposed location
2 would be some 15 feet higher structurally to it.

3 The wells make a lot of water.
4 They have quite -- quite a corrosion problem and their
5 commerciality is prolematical unless you can get high
6 enough on the structure to appreciably get more oil and get
7 out of the water which costs so much to produce.

8 The proposed location did fall
9 near the section line and some 580 feet west of the stand-
10 ard location. This is almost what you call "attic oil".
11 At this location none of the wells that had been drilled
12 ever produced the oil that could be produced in this loca-
13 tion and then it should be structurally higher, if it's as
14 high as we think it will be, and the only way, in our opin-
15 ion, that this oil could be produced from the reservoir is
16 by approval of this unorthodox location in that it couldn't
17 be drilled at a standard location since it would be noncom-
18 mercial.

19 We feel this would be, if the
20 application were not approved, it would constitute waste in
21 the sense of economic waste, and that oil would not be
22 drilled, or recovered, because the standard locations could
23 not so do.

24 We feel correlative rights are
25 protected. The ownership in these areas are generally the

1 that went to the Devonian except those shown on Exhibit
2 Three.

3 Q How many -- how many wells does Stevens
4 Operating presently operating in that area? How many wells
5 is Stevens operating to this formation, do you know, in the
6 area?

7 A We currently operate the O'Brien "C" No.
8 1 in the southwest southwest of Section 1.

9 The other wells are all plugged out or
10 producing in other formations.

11 Q In -- did you drill the No. 1, did
12 Stevens drill the No. 1?

13 A No, that was drilled by Magnolia Petro-
14 leum Company in 1964.

15 Q Do you know or have any knowledge of
16 whether there's any sort of natural drift in drilling wells
17 in this area of the --

18 A I don't think there is. The original
19 discovery well in the northwest northwest quarter had a
20 dog leg at 5400 feet, but the -- to my knowledge that have
21 been drilled in there were within the required rules of 2
22 or 3 degrees of normal.

23 Q So you would not then anticipate a prob-
24 lem with this well drilled drifting across the section
25 line?

1 A I would not anticipate and I would guess
2 I would state that I will make sure it won't. We can make
3 a mathematical model of our degrees of deviation as we
4 drill it and determine whether we, regardless of which
5 direction the drift is, would cross that section line and
6 of course that would be a violation of the Commission
7 rules, to cross the section line in any case; therefore, we
8 will, I guess, certainly endeavor and make sure that such
9 lease line is not crossed.

10 Q With respect to the notice, you've indi-
11 cated on your Exhibit Two that these are the owners of deep
12 rights. What are you referring to with "deep rights"?

13 A Generally everything below the base of
14 the San Andres formation.

15 Q And would you anticipate at any time
16 testing or producing the shallower rights (unclear)?

17 A I would not anticipate it. None of the
18 owners herein own the shallow rights. Pelto Oil Company
19 owns (unclear) and they have an active waterflood in the
20 area. It is conceivable that down the line they might have
21 use for it, but we plan, and it is in our notice of inten-
22 tion to drill that we are going to cover the San Andres
23 producing formation outside our 5-1/2 casing with cement.
24 We plan to run 8-5/8ths to 1900 feet and circulate that
25 cement, and we plan to run a DV tool in the long string and

1 bring that cement back to top of the 8-5/8ths, so the San
2 Andres formation would be covered.

3 Q And you don't own the San Andres in your
4 acreage, either.

5 A We do not.

6 MR. STOVALL: Nothing further.

7 MR. STOGNER: Are there any
8 other questions of this witness?

9 Mr. Stevens, do you have any-
10 thing further in this case?

11 MR. STEVENS: Nothing further.

12 MR. STOGNER: Does anybody
13 else have anything further in Case Number 9561?

14 This case will be taken under
15 advisement.

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(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 HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division (Commission) 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 CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 9561, heard by me on 21 December 1988.
Michael E. Hayes, Examiner
Oil Conservation Division