

1 STATE OF NEW MEXICO
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
3 OIL CONSERVATION DIVISION
4 STATE LAND OFFICE BUILDING
5 SANTA FE, NEW MEXICO

6 20 September 1989

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Bettis Brothers, Inc. CASE
10 for acreage rededication and an unor- 9758
11 thodox gas well location, Eddy County,
12 New Mexico.

13 BEFORE: David R. Catanach, Examiner

14 TRANSCRIPT OF HEARING

15 A P P E A R A N C E S

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I N D E X

THOMAS R. SMITH

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1 MR. CATANACH: At this time
2 we'll call Case 9758.

3 MR. STOVALL: Application of
4 Bettis Brothers, Inc. for acreage rededication and an un-
5 orthodox gas well location, Eddy County, New Mexico.

6 MR. CATANACH: Are there ap-
7 pearances in this case?

8 MR. HALL: Mr. Examiner, Scott
9 Hall from the Campbell & Black law firm, on behalf of the
10 applicant, with one witness this morning.

11 MR. CATANACH: Any other ap-
12 pearances?

13 Will the witness please stand
14 and be sworn?

15 (Witness sworn.)

16
17 THOMAS R. SMITH,
18 being called as a witness and being duly sworn upon his
19 oath, testified as follows, to-wit:

20
21 DIRECT EXAMINATION

22 BY MR. CARR:

23 Q For the record please state your name,
24 your place of residence, by whom you're employed and in
25 what capacity?

4

1 A Thomas Smith from Midland, Texas. I'm
2 employed by Bettis Brothers in Midland, Texas, and I'm
3 exploration geologist.

4 Q And you've previously testified before
5 the Division or one of its examiners and had your creden-
6 tials accepted?

7 A Yes, I have.

8 MR. HALL: Mr. Examiner, is
9 the witness still considered qualified today?

10 MR. CATANACH: Yes, sir.

11 Q Mr. Smith, you're familiar with the
12 subject area?

13 A Yes, I am.

14 Q What is it that Bettis Brothers is
15 seeking by this application?

16 A We are seeking to rededicate the
17 320-acre unit allocated to the Bettis Brothers State 16 in
18 Section 16 of 23 South, 26 East, of Eddy County, from the
19 south half to the east half.

20 Q All right, and are you familiar with the
21 pool rules for the Carlsbad Strawn South Pool?

22 A Yes, I am.

23 Q Are those special pool rules?

1 requirements set forth in those rules?

2 A Just standard 320 rules.

3 Q And the existing well, the 16-1, is it
4 at a standard location?

5 A It is right -- as presently in its south
6 half unit, yes.

7 Q What is the purpose of seeking rededica-
8 tion of the east half to the well?

9 A The purpose is twofold, in that it would
10 primarily allow us to better develop our Morrow plan of
11 development with regards to the west half of Section 17 and
12 it better aligns itself now with the zone that the well is
13 currently producing from, which is now the Third Strawn
14 Unit. We've just recently plugged back from the Morrow.

15 Q The rededication of the drilling units,
16 the standup units, will result in the 16-1 becoming an un-
17 orthodox located well, is that the case?

18 A Yes, it will. It will put it 660 from
19 the end boundary.

20 Q Let's look at your exhibits, Exhibit
21 One, if you would refer to that and explain that to the
22 examiner, please.

23 A Exhibit One shows the unit as we are
24 proposing as a standup east half, and the original south
25 half laydown attributed to the well, and all of the sur-

1 rounding leasehold interest. They are color coded by the
2 legend in the righthand -- right lower corner, with yellow
3 being Bettis Brothers; the orange being Collins and Ware;
4 green being Coquina; purple, Exxon; the gray Hawthorne, or
5 OxTex; blue being Huber; and pink being Pacific Enter-
6 prises or formerly Terra.

7 These are all of the working interests
8 surrounding our proposed standup 320.

9 Q Now is the ownership in the south half
10 of 16 consistent with the ownership in the east half?

11 A It is consistent.

12 Q And will the re-orientation of the pro-
13 duction unit result in any alteration to participation and
14 production?

15 A It will affect nothing in terms of
16 mineral interest or working interest.

17 Q All right, what is the primary producing
18 interval in the area?

19 A Morrow is the primarily -- the primary
20 producing interval in this area.

21 Q All right. Let's look at your other
22 exhibits, Exhibit Two, and if you would explain that and
23 also explain what consideration was given to structure for
24 development of Section 16?

25 A Exhibits Two and Three pertain to the

1 Strawn, as shown on the cross section, which is Exhibit
2 Four. There is, as you can see on both of the exhibits, a
3 line of cross section which shows all of the offset wells
4 related to the State 16 Well.

5 The State 16 has recently been plugged
6 back to the Strawn interval as shown on the Strawn isopach
7 and the Strawn structure.

8 On the isopach reservoir configuration
9 is very well demonstrated by the anomalous thick producing
10 zone that is in that well. The reservoir geometry is re-
11 flected, current reservoir geology reflected by that iso-
12 pach.

13 The structure on Exhibit Two virtually
14 is conformable to that stratigraphy and you can see that
15 the State 16 occupies the highest structural position in
16 terms of the Strawn third zone. You can see that our
17 proposed location for our west half of 16 is located 1980
18 from the south and 660 from the west and is really designed
19 to offset our recent well in Section 17, which is a Morrow
20 producer, which is shown on Exhibit Number Five, and ex-
21 cuse me for jumping back and forth on the exhibits but it's
22 kind of the way I have to handle this thing.

23 But by doing, by allowing us to do this,
24 it will let us prudently offset and develop our Morrow pro-
25 gram as it relates to our well in Section 17, which is a

1 recent Morrow completion and as yet is pending pipeline
2 hookup.

3 Q Is it your view that development of
4 Section 16 on a standup basis would result in development
5 in a manner better conforming to existing geology?

6 A Yes, I do, and especially in terms of
7 the Strawn and the now producing zone in the State 16 Well
8 and also in terms of developing the Morrow in the west half
9 of Section 16.

10 Q All right. Do you have anything further
11 with respect to Exhibits Two through Five?

12 A No.

13 Q All right. Mr. Smith, do you believe
14 that a production penalty for the 16-1 Well is appropriate?

15 A No, I do not.

16 Q Has notice been given to all those
17 entitled to notice according to OCD rules? In that regard,
18 I'll show you what's been marked as Exhibit Six and ask you
19 if that's a copy of your counsel's affidavit whereby you've
20 directed your counsel to provide notice to interested
21 parties?

22 A Yes, it is.

23 Q And have you obtained waivers from all
24 the offsetting interest owners to the unorthodox location?

25 A Yes, we have.

1 Q And are those waivers reflected in Ex-
2 hibit Seven?

3 A Yes, they are.

4 Q Mr. Smith, in your opinion do you be-
5 lieve that granting the application will be in the best
6 interest of conservation, the prevention of waste, and the
7 protection of correlative rights?

8 A Yes, I do.

9 Q Were Exhibits One through Five and
10 Exhibit 7 prepared by you or at your direction?

11 A Yes, they were.

12 MR. HALL: At this time, Mr.
13 Examiner, that concludes our direct of this witness.

14 We'd move the admission of
15 Exhibits One through Seven.

16 MR. CATANACH: Exhibits One
17 through Seven will be admitted as evidence.

18

19

CROSS EXAMINATION

20 BY MR. CATANACH:

21 Q Mr. Smith, the State 16 Well No. 1, what
22 was that previously completed?

23 A From the Morrow.

24 Q That was a Morrow producer?

25 A Yes, sir.

1 Q And how long or how -- how long did it
2 produce from the Morrow?

3 A Since '75 up until approximately a month
4 ago.

5 Q Was it -- was it depleted?

6 A Yes. It's long since been depleted. It
7 only made 300-million feet of gas.

8 Q I'm sorry, how much?

9 A 300-million.

10 Q Has the Strawn been tested in the well?

11 A Yes, the Strawn is now producing in the
12 well at a rate of approximately 3-million cubic feet a day;
13 flowing tubing pressure of 4000 pounds.

14 It's the only Strawn producer on the
15 map.

16 Q What is the well in the northeast quart-
17 er of 16?

18 A This well was drilled by Huber. It was
19 a Morrow test and essentially just a dry hole.

20 Q Is this all one lease?

21 A All except the 80-acre tract --

22 Q What proration unit do you propose to
23 dedicate to the Morrow well in the west half?

24 A It would be a standup west half, to con-
25 form primarily with Exhibit Five in the Morrow. The well

1 in Section 17 is a recent completion by Bettis out of the
2 Morrow, the cross section of which shows the zone that we
3 are currently producing from, and as you can see, it's
4 pretty crucial, looking at all of the offset wells, that we
5 have that west half in that the sand, reservoir sand, is
6 virtually absent in all the other wells.

7 Q Do you believe at this point that the
8 Strawn reserves are limited to the east half of 16?

9 A Yes, sir.

10 Q And there's no potential in the west
11 half?

12 A We feel that there's no potential at
13 all.

14 Q Mr. Smith, the acreage to the south in
15 Section 21, I'm not clear on the ownership of that.

16 A That is equally divided between Huber
17 and Coquina. The -- that represents, the green hachured
18 area coloring indicates the Coquina ownership in that
19 lease. It's jointly owned by the two parties.

20 Q And did -- Huber and Coquina were both
21 notified that the location would be nonstandard and they
22 assigned waivers to that effect?

23 A Yes, sir.

24 MR. CATANACH: That's all the
25 questions I have of the witness. He may be excused.

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Anything further in this case?

MR. HALL: We have nothing further.

MR. CATANACH: If not, Case 9758 will be taken under advisement.

(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. 9758 heard by me on September 20 1949.

David R. Catant, Examiner
Oil Conservation Division