

1 STATE OF NEW MEXICO  
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
3 OIL CONSERVATION DIVISION  
4  
5  
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7 EXAMINER HEARING  
8

9 IN THE MATTER OF:  
10

11 Application of Mewbourne Oil Case 9814  
12 Company for an unorthodox  
13 gas well location, Eddy County,  
14 New Mexico  
15  
16

17 TRANSCRIPT OF PROCEEDINGS  
18

19 BEFORE: DAVID R. CATANACH, EXAMINER  
20

21 STATE LAND OFFICE BUILDING

22 SANTA FE, NEW MEXICO

23 November 15, 1989  
24

25 **ORIGINAL**

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A P P E A R A N C E S

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BY:    JAMES G. BRUCE, ESQ.

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1                   HEARING EXAMINER: We'll call the hearing  
2 back to order. At this time we'll call Case 9814, the  
3 application of Mewbourne Oil Company for an unorthodox  
4 gas well location, Eddy County, New Mexico.

5                   Are there appearances in this case?

6                   MR. BRUCE: Mr. Examiner, my name is Jim  
7 Bruce from the Hinkle law firm in Albuquerque  
8 representing the Applicant, and I have two witnesses  
9 to be sworn.

10                  HEARING EXAMINER: Any other appearances?  
11                  Will the witnesses please stand and be  
12 sworn in.

13                               (Witnesses sworn.)

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

17                               DIRECT EXAMINATION

18 BY MR. BRUCE:

19           Q.       Mr. Haden, would you please state your full  
20 name and city of residence.

21           A.       My name is Donald Paul Haden. I live in  
22 Midland, Texas.

23           Q.       Who are you occupied by and in what  
24 capacity?

25           A.       I'm employed by Mewbourne Oil Company as a

1 petroleum landman.

2 Q. Have you previously testified before the  
3 OCD?

4 A. No, I have not.

5 Q. Would you please briefly outline your  
6 educational and employment background.

7 A. I have a Bachelor of Science Degree in  
8 geography with a concentration in environmental land  
9 management from Southwest Texas State University.

10 I have worked with Mewbourne Oil Company  
11 for the last ten years in the Permian Basin, which is  
12 inclusive of this area.

13 Q. Has your employment with Mewbourne been as  
14 a petroleum landman?

15 A. Yes, it has.

16 Q. Are you familiar with the land matters  
17 involved in Case 8714?

18 A. Yes, I am.

19 MR. BRUCE: Mr. Examiner, are the witness's  
20 credentials acceptable?

21 HEARING EXAMINER: They are.

22 Q. (BY MR. BRUCE) Mr. Haden, would you  
23 describe briefly what Mewbourne seeks in this  
24 application?

25 A. Mewbourne Oil Company seeks approval for an

1 unorthodox gas well location for it's Vogel No. 1  
2 Well.

3 Mewbourne proposes to locate the well 660  
4 feet from the west line and 660 feet from the south  
5 line, Section 14, Township 17 South, Range 26 East, in  
6 Eddy County.

7 Mewbourne proposes to drill the well to a  
8 depth of approximately 8,800 feet to test the Morrow  
9 formation. The south half of Section 14 will be  
10 dedicated on the well.

11 Q. Would you refer to Exhibit No. 1 and  
12 briefly describe its contents?

13 A. Exhibit No. 1 is a land plat showing our  
14 proposed proration unit, being the south half of  
15 Section 14. This land is approximately three miles  
16 south-southeast of Artesia, New Mexico.

17 Q. Would you please now refer to Exhibits 2-A  
18 and 2-B and describe their contents.

19 A. Exhibit 2-A is a nine-section plat showing  
20 the affected tracts offsetting our proposed location.

21 Mewbourne Oil owns the north half of this  
22 section, as well as the south half of Section 14.

23 Q. Are the landowners in each of the numbered  
24 tracts listed on Exhibit 2-B?

25 A. Yes, they are.

1 Q. Were offset owners notified of this  
2 application by certified mail, and I refer you to  
3 Exhibit 3-A?

4 A. Yes, they were, all of the offset operators  
5 and unleased mineral owners.

6 Q. Were waiver letters requested from the  
7 offset owners?

8 A. Waiver letters were submitted to the offset  
9 owners for their signature.

10 Q. Are these submitted to the OCD as Exhibit  
11 3-B?

12 A. Yes, they are.

13 Q. The two most affected tracts, referring  
14 back to Exhibit 2-A, would be Tracts 1 and 2; is that  
15 correct?

16 A. That's correct.

17 Q. Who are the owners of those tracts?

18 A. Yates Petroleum Corporation.

19 Q. Have they signed offset or waiver letters  
20 to this location?

21 A. Yes, they have.

22 Q. Are those submitted as Exhibit 3-C?

23 A. Yes, that is correct.

24 Q. Mr. Haden, in your opinion, is the granting  
25 of this application in the interests of conservation

1 and the prevention of waste?

2 A. Yes, it is.

3 Q. Were Exhibits 1 through 3 or 1 through 3-C  
4 prepared by you or compiled from company records?

5 A. Yes, they were prepared by me.

6 MR. BRUCE: Mr. Examiner, at this time, I  
7 move the admission of Exhibits 1 through 3-C.

8 HEARING EXAMINER: Exhibits 1 through 3-C  
9 will be admitted as evidence.

10 MR. BRUCE: And I have no further questions  
11 of the witness at this time.

12 HEARING EXAMINER: Mr. Bruce, is your next  
13 witness a geologist?

14 MR. BRUCE: He sure is.

15 CROSS-EXAMINATION

16 BY HEARING EXAMINER:

17 Q. Mr. Haden, in Section 15, are those both  
18 Morrow gas wells?

19 A. Those are Atoka gas wells.

20 Q. Do you know if Yates operates all the  
21 acreage in Section 15?

22 A. Yes, they do, both wells.

23 Q. How about Section 22?

24 A. Yes. Yates does operate both of those  
25 wells in the northwest and southeast quarter.



1 HEARING EXAMINER: That's all the questions  
2 I have of the witness. He may be excused.

3 MR. BRUCE: I call David Overton as a  
4 witness.

5 J. DAVID OVERTON,  
6 the witness herein, after having been first duly sworn  
7 upon his oath, was examined and testified as follows:

8 DIRECT EXAMINATION

9 BY MR. BRUCE:

10 Q. Would you please state your full name and  
11 city of residence?

12 A. My name is James David Overton. I reside  
13 in Midland, Texas.

14 Q. Who are you occupied by and in what  
15 capacity?

16 A. I'm employed as a petroleum geologist by  
17 Mewbourne Oil Company.

18 Q. Have you previously testified before the  
19 OCD?

20 A. No, sir, I haven't.

21 Q. Would you describe your educational and  
22 work background for the examiner?

23 A. I have a Bachelor of Science Degree in  
24 earth science from the University of Texas of the  
25 Permian Basin. I've been working as a petroleum

1 geologist for 11 years, the last six years with  
2 Mewbourne Oil Company.

3 Q. Does your area of responsibility include  
4 southeast New Mexico?

5 A. Yes, sir, it does.

6 Q. Are you familiar with the geological  
7 matters involved in Case 9814?

8 A. Yes, sir, I am.

9 MR. BRUCE: Mr. Examiner, is the witness  
10 considered an expert?

11 HEARING EXAMINER: Yes, sir.

12 Q. (BY MR. BRUCE) Mr. Overton, would you  
13 please refer to Exhibit No. 4, together with Exhibit  
14 5, and describe them for the examiner.

15 A. The map is a map -- structure map of the  
16 top of the Morrow Clastics contoured on 100-foot  
17 intervals with a net Morrow A sand greater than or  
18 equal to 8 percent porosity isopach contoured in  
19 ten-foot intervals.

20 We see a channel sand having been mapped in  
21 the north-south direction crossing the proposed  
22 location in the 660 from the south and 660 from the  
23 west of Section 14.

24 The cross-section runs from the well in  
25 Section 15 over to the well in Section 14.

1                   If you would look at it, the Morrow A sand  
2 is colored in red. That sand in the Yates cough-out  
3 in Section 15 has 12 foot of porous sand using the  
4 parameters we've mapped. If you will look at the  
5 resistivity, it looks pretty tight. It doesn't have  
6 much of a resistivity separation on there. And this  
7 well did in fact only produce 22 million cubic foot  
8 from that zone. The last production date reported in  
9 the records of the engineering are 12-79.

10                   That has been recompleted up into the  
11 thinner zone, designated Atoka B sand, and colored in  
12 yellow on the cross-section.

13                   In the well in Section 14, they encountered  
14 what we considered the four foot of that zone. They  
15 DST'd it and got a small amount of gas back but found  
16 it to be uneconomic and plugged and abandoned the  
17 well.

18                   We feel like we need to get a thickness  
19 better than the 12 foot that Yates got to develop the  
20 permeability necessary to make an economic well. And  
21 that's the reason we are proposing the unorthodox  
22 location.

23                   If you'll look on your map, there is an X  
24 just east of the proposed location. It marks a legal  
25 location in that section, which would give us about

1 the four feet that Yates got in their well in 14 which  
2 was uneconomical.

3 Q. And are your observations confirmed by  
4 those wells to the south, Mr. Overton?

5 A. Yes, sir, they are. These wells are in the  
6 heart of the channel. They have a better overall  
7 thickness of sand than we see in either of these, even  
8 though the porosity parameters we use to map indicate  
9 comparable.

10 Q. And, therefore, in summary, it's your  
11 opinion that you need to move in close to the lease  
12 line in order to have a reasonable prospect of  
13 obtaining a decent well?

14 A. That is correct.

15 Q. In your opinion, is the granting of this  
16 application in the best interest of conservation, the  
17 prevention of waste, and the protection of correlative  
18 rights?

19 A. Yes, sir, I believe so.

20 Q. Were Exhibits 4 and 5 prepared by you?

21 A. Yes, sir, they were.

22 MR. BRUCE: Mr. Examiner, I move the  
23 admission of Exhibits 4 and 5.

24 HEARING EXAMINER: Exhibits 4 and 5 will be  
25 admitted as evidence.

1 MR. BRUCE: I have no further questions at  
2 this time.

3 CROSS-EXAMINATION

4 BY HEARING EXAMINER:

5 Q. At your proposed location, Mr. Overton,  
6 approximately how many feet of sand will you  
7 encounter?

8 A. We're projecting about 20 foot.

9 Q. And a standard location would encounter how  
10 much did you say?

11 A. Approximately four feet.

12 Q. It's your opinion that would be  
13 uneconomical?

14 A. Yes, sir. It proved uneconomical for Yates  
15 just north of where that location would fall.

16 Q. That well didn't produce anything from the  
17 Morrow?

18 A. No, sir. It DST'd it. It had gas to the  
19 surface in 20 minutes. It doesn't give any indication  
20 of the amount of gas that was produced. Shut-in  
21 pressures and flow pressures are fairly level in it.

22 Q. It was subsequently plugged and abandoned;  
23 is that correct?

24 A. Yes, sir, in 1981.

25 Q. The 12 foot of sand encountered in the

1 other Yates well, did that also prove to be  
2 uneconomical?

3 A. That well produced 22 million cubic foot  
4 before it was recompleted, and that's not economic.

5 Q. What is your opinion on how many feet of  
6 net sand you would need to make an economical well?

7 A. I think pretty close to that 20 foot in  
8 order to get enough above the Yates well that we could  
9 develop the permeability required.

10 Q. Other than the Yates well in Section 15, I  
11 guess the other Morrow wells are down in 22, 23, 26  
12 and 27?

13 A. That is correct. These wells on the  
14 western side of 15 and 22 that are denoted as having  
15 zero porosity in this interval are completed in the  
16 Morrow. However, it's a different interval of the  
17 Morrow. The sand does not correlate to this one.

18 Q. Is this the only producible sand in your  
19 area, the Morrow A?

20 A. It's the only producible Morrow sand in  
21 that section that we're looking at.

22 Q. The wells down in the south there, are  
23 those producing from the Morrow A?

24 A. The ones that are colored red?

25 Q. Yes.

1           A.       Yes, sir, that's correct.

2           Q.       Do you have cumulative production on those  
3 wells?

4           A.       Overall, the four wells in the corner there  
5 of 22, 23, 27, and 26, that are wadded into the one  
6 little corner, have produced 7-1/2 billion cubic feet.

7           Q.       You don't know how that's split out between  
8 the wells?

9           A.       No, sir, not -- I probably have that data  
10 with me, if you want me to dig it up.

11          Q.       There's two wells that are producing from  
12 eight foot of sand and four foot, approximately. Do  
13 you know if those are good wells?

14          A.       Those are economic wells.

15          Q.       They are?

16          A.       Yes, sir. However, they overall have a  
17 much thicker interval of the sand body, even though  
18 they only develop the four- and eight-foot in  
19 comparison to our cutoff that we use of 8 percent  
20 porosity.

21          Q.       So it's your opinion you can't go any  
22 further east without undertaking too much risk?

23          A.       I think we increase our risk fairly  
24 dramatically moving to the east.

25          Q.       Do you think your well should have a

1 penalty of any kind?

2 A. I'm not familiar with --

3 Q. Production cutback, some kind of penalty  
4 for being so close to the line?

5 A. No, not really. I think Yates had a good  
6 shot on the other side of it.

7 Q. Is it conceivable that there will be, say,  
8 another well drilled in 22 and 23 up in the corner  
9 there where you're at?

10 A. Yes, sir, I would say if we made an  
11 economic well, somebody would try to offset it.

12 HEARING EXAMINER: I believe that's all the  
13 questions I have of the witness. He may be excused.

14 MR. BRUCE: I have nothing further, Mr.  
15 Examiner.

16 HEARING EXAMINER: There being nothing  
17 further in Case 9814, it will be taken under  
18 advisement.

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CERTIFICATE OF REPORTER

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

I, Deborah O'Bine, Certified Shorthand Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I caused my notes to be transcribed under my personal supervision; 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 November 25, 1989.

*Deborah O'Bine*  
DEBORAH O'BINE  
CSR No. 127

My commission expires: August 10, 1990

I do hereby certify that the foregoing is a complete record of the proceedings by the Examiner hearing of Case No. 9714, heard by me on November 15, 1989.  
*David R. Cilemb*, Examiner  
Oil Conservation Division

CUMBRE COURT REPORTING  
(505) 984-2244