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STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING)	
CALLLED BY THE OIL CONSERVATION)	
DIVISION FOR THE PURPOSE OF)	
CONSIDERING:)	
)	CASE NO. 10262
APPLICATION OF J. OIL AND GAS)	
PRODUCTION COMPANY)	
_____)	

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: JIM MORROW, Hearing Examiner

March 7, 1991

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Division on March 7, 1991, at 10:59 a.m. at Oil Conservation Division Conference Room, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico, before Freda Donica, RPR, Certified Court Reporter No. 417, for the State of New Mexico.

FOR: OIL CONSERVATION	BY: FREDA DONICA, RPR
DIVISION	Certified Court Reporter
	CCR No. 417

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I N D E X

March 7, 1991
Examiner Hearing
CASE NO. 10262

PAGE

APPEARANCES

3

J.'S WITNESSES:

RONALD JOHNSON

Direct Examination by Mr. Bruce

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REPORTER'S CERTIFICATE

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E X H I B I T S

Applicant's 1

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A P P E A R A N C E S

FOR THE DIVISION: ROBERT G. STOVALL, ESQ.
 General Counsel
 Oil Conservation Commission
 State Land Office Building
 310 Old Santa Fe Trail
 Santa Fe, New Mexico 87501

FOR THE APPLICANT: HINKLE LAW FIRM
 Albuquerque, New Mexico
 BY: JAMES BRUCE, ESQ.

1 HEARING EXAMINER: Call case 10262.

2 MR. STOVALL: Application of J. Oil and Gas Production
3 Company, d/b/a P. T. Adams, for an unorthodox location,
4 Chavez County, New Mexico.

5 HEARING EXAMINER: Call for appearances.

6 MR. BRUCE: Mr. Examiner, my name is Jim Bruce from the
7 Hinkle law firm, representing the applicant. I have one
8 witness to be sworn.

9 HEARING EXAMINER: Will the witness please stand and be
10 sworn?

11 (Witness sworn.)

12 HEARING EXAMINER: Go ahead, Mr. Bruce.

13 RONALD JOHNSON

14 the Witness herein, having been first duly sworn, was
15 examined and testified as follows:

16 DIRECT EXAMINATION

17 BY MR. BRUCE:

18 Q. Would you please state your name and city of
19 residence?

20 A. Ronald Johnson, Midland, Texas.

21 Q. And what is your occupation?

22 A. Geologist.

23 Q. And who are you employed by?

24 A. I'm self-employed, I'm consulting for Pat Adams.

25 Q. And have you previously testified before the Oil

1 Conservation Division?

2 A. No, I haven't.

3 Q. Would you please outline your educational
4 background and work background?

5 A. I have a bachelor's and master's degree in
6 geology from the University of Texas at Arlington. I'm a
7 certified petroleum geologist by the American Association of
8 Petroleum Geology, and I've worked as a petroleum geologist
9 for 17 years.

10 Q. And who have you worked for?

11 A. Sun Oil Company, Texas Oil and Gas, Mabry
12 Petroleum and Western Reserves Oil Company in Midland.

13 Q. And how long have you been out on your own?

14 A. For about six years now.

15 Q. And are you familiar with the geology in this
16 application?

17 A. Yes, I am.

18 MR. BRUCE: Mr. Examiner, is the witness acceptable?

19 HEARING EXAMINER: Yes, sir.

20 Q. (By Mr. Bruce) Did you prepare, Mr. Johnson, a
21 package of exhibits for today's hearing?

22 A. Yes, I did.

23 Q. Are they marked as Exhibit 1?

24 A. They are.

25 Q. Referring to that package of exhibits, would you

1 pull out the first one in there, the geological map, and
2 discuss the geology of this area?

3 A. Basically, this is a structure map, and on it
4 I've projected kind of a subcrop map at the base of the
5 Pennsylvania. The map shows an anticline has been breached in
6 the middle, too small faulted structures on either side of
7 where the Fusselman subcrops at the base of the
8 Pennsylvanian. The structure to the southeast, ^{Ensearch} (Insearch) ^{JHM}
9 Exploration is producing oil and gas from the Fusselman
10 reservoir. The prospect is to the northwest and, hopefully,
11 to have a similar situation there that the ^{Ensearch} (Insearch) ^{JHM} company
12 does down there to the southeast, that is, to have a small
13 faulted feature there, and can establish some production.

14 Q. And the location is in the structure to the west,
15 right, in Section 26?

16 A. Right, southeast part of Section 26.

17 Q. Now, you have on there a fault marked in brown to
18 the south and to the east. Is there also a potential fault
19 to the north?

20 A. Yes, there is. You have about 300 foot of dip
21 between the Sinclair O'Brien well and the old C. & K. well.
22 The C. & K. well is minus 2615 on top of the Fusselman and
23 the Sinclair well is minus 2944 on top of the Fusselman, so
24 there could be -- you've got 300 foot of depth -- there very
25 well could be a fault in there.

1 Q. And as a result, you're moving the well location
2 a little further south than is allowed by the rules; is that
3 correct?

4 A. That's correct. It's a very small structure
5 here, very much like a pinnacle wreath, and you need your --
6 well, there's a lot of dry holes around there to testify to
7 the fact that it's a small feature in there, so you need
8 your best location.

9 Q. The Insearch well in Section 31 to the east,
10 that's an oil well, is it not?

11 A. That is correct.

12 Q. And you're hoping to duplicate that oil well, are
13 you not?

14 A. Correct.

15 Q. Would you please move on to the exhibits, the
16 cross-sections, and discuss those a little bit for the
17 Examiner?

18 A. Well, the cross-section B-B' goes -- runs through
19 the Insearch Field there. It shows the Insearch Number 1 J.
20 G. O'Brien, a producing well, on the upthrown side of the
21 small fault there. It's producing out of the Fusselman
22 formation. It's made approximately 300,000 barrels of oil
23 at a depth of about 7,000 foot.

24 The well to the south down there, the number 4
25 well, is low on the structure. You have the Mississippian

1 lime present on top of the Fusselman. It -- I believe that
2 well produced out of the Pennsylvanian section.

3 And then the well at the very top, the Number 2
4 O'Brien also is on the downthrown side of the fault.

5 HEARING EXAMINER: Time out, please. I think I'm on
6 the wrong cross-section here.

7 THE WITNESS: B-B'.

8 HEARING EXAMINER: All right, I found it. Go ahead.

9 A. Well, the well to the north there, the Number 2
10 J. G. O'Brien, it's on the downthrown side of the fault, and
11 it was a dry hole, wet.

12 The Number 1 J. G. O'Brien, the log in the center
13 of the cross-section, it's producing out of the Fusselman
14 formation. It's produced approximately 300,000 barrels of
15 oil, still producing.

16 And then the well to the south, the number 4
17 well, has the Mississippian preserved on top of the
18 Fusselman there. It was low and wet, and I believe it's
19 producing out of the Pennsylvanian formation.

20 Anyway, what I was hoping to establish would be a
21 very similar feature, a very similar structure, and that's
22 what cross-section A-A' is here. The C. & K. well, the log
23 in the middle of the cross-section, the well was drilled in
24 1972. It was one of the first wells drilled up there, and
25 it did encounter the Fusselman formation at the base of the

1 Pennsylvanian. It was tested and found to be non-commercial
2 and was plugged.

3 The Sinclair well at the north end of the
4 cross-section, the Number 1 O'Brien, it shows a
5 Mississippian section on top of the Fusselman, and it was
6 low and wet.

7 And the Ralph Nix well was drilled, I believe,
8 in '82, and it was on the -- found a fault and ended up on
9 the downthrown side of the fault. And it was also wet.

10 So, hopefully, what we propose to do is offset
11 the C.& K. well and catch the Fusselman productive at the
12 base of Pennsylvanian section.

13 Q. (By Mr. Bruce) Next on your package of exhibits
14 is certain well information. Is there anything in
15 particular you'd like to point out on those sheets?

16 A. Only that the C.& K. well was non-commercial.
17 And that well also, if you'll look on the scout ticket,
18 you'll notice that the location for the C.& K. well was
19 supposed to be 990 from the south and east of Section 26.

20 Q. That's at the top of the first page?

21 A. Right, it's the top of the first page. Actually,
22 when Insearch went out to stake the location for their well,
23 they checked the survey mark on that C.& K. well and had it
24 resurveyed and found out that actually the location was made
25 and the well was drilled about 35 foot inside Section 25.

1 And other than that, just the -- on page -- last
2 page, I guess, page five would show the Insearch Number 1
3 O'Brien, their discovery well down there, for the south
4 Elkins. And you can see it produced out of the Fusselman
5 formation through perforation at a depth from 6741 to 45.

6 Q. Next, moving on to the land plat, would you
7 describe the ownership of this half section of land?

8 A. Yes. W. H. Armstrong and I were partners. We
9 leased the south half of Section 26 from the Moon Company
10 Trust and sold the prospect to Mr. Pat Adams, J. Oil. That
11 would be the entire 320 acres of the south half of Section
12 26.

13 Q. You expect this to be an oil well, do you not?

14 A. Yes, I do.

15 Q. And the well location, because of the well
16 location, you are only moving closer to your own acreage; is
17 that correct?

18 A. That's correct.

19 Q. And the acreage dedication plat, or a copy of the
20 acreage dedication plat is included at the back of this
21 package of exhibits, is it not?

22 A. It is.

23 Q. Was Exhibit Number 1 prepared by you, under your
24 correction or compiled from the applicant's records?

25 A. Yes, it was.

1 Q. And in your opinion, is the granting of this
2 application in the interest of conservation and the
3 prevention of waste?

4 A. Yes, it is.

5 MR. BRUCE: Mr. Examiner, I move the admission of
6 Exhibit Number 1.

7 HEARING EXAMINER: Exhibit Number 1 is admitted.

8 The little X in Section 26, I guess right near
9 the center of the structure you have drawn there, I'm
10 assuming that's your proposed location.

11 THE WITNESS: Yes, sir, that's our proposed location.

12 HEARING EXAMINER: And as I understood your testimony,
13 there's no production in that section. All those wells
14 maybe had some ^{shows} (shoals) but are not producing now.

15 THE WITNESS: That's correct. There was one well, the
16 Nix Skip well, that has been reentered and had a San Andres
17 production established in it, but nothing from the Fusselman
18 formation.

19 HEARING EXAMINER: And why is the location unorthodox?
20 What would the required distances be? It's ¹³⁴⁰⁻⁹⁹⁰ (13-49-90) what
21 would the cause be if it were orthodox?

22 MR. BRUCE: If I could answer that, Mr. Examiner, I
23 think the most it could be would be 990 and 990.

24 MR. STOVALL: That's moving north, if it's an oil well
25 location?

1 MR. BRUCE: Yes. We would have to move it further to
2 the north to make it or --

3 HEARING EXAMINER: Further to the south, if it were 990
4 1340 from the south, that would be --

5 MR. BRUCE: Excuse me, I meant 1650-1650.

6 HEARING EXAMINER: 1650-1650 would be an orthodox
7 location?

8 MR. BRUCE: Yes. I think it's 40-acre spacing with the
9 setback of 330, so 1650 and 990 would be standard. It's too
10 far south for an oil well.

11 MR. STOVALL: What about for a gas well, if you should
12 hit gas there?

13 MR. BRUCE: I think that would be the statewide 1980
14 from the end line.

15 MR. STOVALL: So it's too far east if it's a gas well.

16 MR. BRUCE: That's correct.

17 HEARING EXAMINER: All right. The witness may be
18 excused.

19 MR. BRUCE: I have nothing further. Mr. Examiner.

20 HEARING EXAMINER: Case 10262 will be taken under
21 advisement.

22 (The foregoing hearing was adjourned at the
23 approximate hour of 11:12 a.m.)

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1 STATE OF NEW MEXICO)

2 :

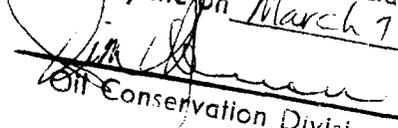
3 COUNTY OF SANTA FE)

4 I, FREDA DONICA, RPR, a Certified Court Reporter, DO
 5 HEREBY CERTIFY that I stenographically reported these
 6 proceedings before the Oil Conservation Division; and that
 7 the foregoing is a true, complete and accurate transcript of
 8 the proceedings of said hearing as appears from my
 9 stenographic notes so taken and transcribed under my
 10 personal supervision.

11 I FURTHER CERTIFY that I am not related to nor employed
 12 by any of the parties hereto, and have no interest in the
 13 outcome hereof.

14 DATED at Santa Fe, New Mexico, this 5th day of
 15 April, 1991.

16 
 17 Freda Donica
 18 Certified Court Reporter
 19 CCR No. 417

20
 21 I do hereby certify that the foregoing is
 22 a complete record of the proceedings in
 23 the Examiner hearing of Case No. 10262,
 24 heard by me on March 7 1991.
 25 
 Oil Conservation Division, Examiner