

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

26 August 1987

EXAMINER HEARING

IN THE MATTER OF:

Application of Samedan Oil Corporation
for a nonstandard gas proration
unit, Lea County, New Mexico.

CASE
9204

BEFORE: David R. Catanach, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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For the Applicant:

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I N D E X

WILLIAM G. MURRAY

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MR. CATANACH: Call next Case
Number 9204.

MR. TAYLOR: Application of
Samedan Oil Corporation for a nonstandard proration unit,
Lea County, New Mexico.

MR. CATANACH: Call for
appearances.

MR. KELLAHIN: If the Examiner
please, I'm Tom Kellahin of the law firm Kellahin, Kellahin
& Aubrey, Santa Fe, appearing on behalf of Samedan Oil
Corporation and I have one witness to be sworn.

MR. CATANACH: Are there any
other appearances?

Will the witness please stand
and be sworn?

(Witness sworn.)

WILLIAM G. MURRAY,
being called as a witness and being duly sworn upon his
oath, testified as follows, to-wit:

1 DIRECT EXAMINATION

2 BY MR. KELLAHIN:

3 Q Will you please state your name and by
4 whom you are employed and in what capacity?5 A William G. Murray. I'm an engineer for
6 Samedan Oil Corporation.7 Q Have you previously testified before the
8 Division and had your credentials accepted as a matter of
9 record?

10 A No, I have not.

11 Q Would you take a moment and describe your
12 educational background and your work experience?13 A (Not clearly understood). For the last
14 twelve in various capacities as an engineer in both drilling
15 and production in eastern New Mexico and West Texas.16 Q Does your current employment with Samedan
17 as an engineer include responsibility for the proposed
18 nonstandard proration unit that we're seeking today?

19 A Yes, sir, it does.

20 MR. KELLAHIN; We tender Mr.
21 Murray as a qualified petroleum engineer.22 Mr. Murray is a classmate of
23 Mr. Stogner's, Mr. Catanach, I trust that won't be held
24 against him.

25 MR. CATANACH: Thank you. Mr.

1 Murray is so qualified.

2 Q Mr. Murray, first of all let me direct
3 your attention first of all to Section 17, and let's take a
4 moment and describe for the Examiner the specific 160 acres
5 that you propose to dedicate to the well.

6 A The plat there is Exhibit One. We
7 limited the wells on this thing to just the ones with the
8 Yates completions. As you're aware, in the area there's
9 multiple completions in many different zones. All the wells
10 would just confuse the issue.

11 What we propose to make a proration unit
12 out of is the southeast quarter of the southwest quarter,
13 the south half of the southeast quarter, and the northeast
14 quarter of the southeast quarter of Section 17.

15 Q Would you identify for me the type of
16 well that's depicted as the Texaco Well on the Steeler
17 lease, the No. 7, do you see it?

18 A Yes, sir. This is a well that was orig-
19 inally drilled to the Queen. It was recompleted as a Yates
20 gas well; after producing 1.3 BCF it was plugged and aban-
21 doned.

22 Q When we look at your 160-acre proposed
23 proration and spacing unit, identify for me the type of well
24 that's indicated with the number 3.

25 A That well is currently completed as a

1 Yates completion. We inherited this lease from Getty in
2 1984. It took 18 months for the BLM to give us an assign-
3 ment and at the urging of the Commission to either plug or
4 do something with this well, in March we made a recompletion
5 attempt. It was successful.

6 Q And you've recompleted it into what for-
7 mation?

8 A Into the Yates.

9 Q And the Yates member is part of the Jal-
10 mat Gas Pool?

11 A Yes, sir, it is.

12 Q And this is the well described as the
13 Hughes Federal Well No. 3?

14 A Yes, sir.

15 Q When we move to the Hughes No. 2 Well,
16 would you describe the status of that well?

17 A This well was also completed by Yates in
18 1966, in early '66. Cornell Oil Corporation approached Sam-
19 edan with a request for a 40-acre farmout to the Queen, and
20 should they bomb out on it they wanted 160-acre proration
21 unit on the Yates, for testing the Queen in early '67. They
22 plugged back to the Yates and obtained a nonstandard prora-
23 tion unit on the same 160 acres.

24 Q The remaining acreage in the south half
25 of 17 has previously been dedicated as a nonstandard spacing

1 and proration unit for the Texaco Well?

2 A Yes, sir, that's correct.

3 Q Had Samedan sought administrative approval of this nonstandard proration unit from the Division of-
4 fices?
5

6 A Yes, we did.

7 MR. KELLAHIN: I show you their
8 administrative application, Mr. Catanach. We've marked it
9 as Exhibit Number Two.

10 Q In preparing and filing the administra-
11 tive application, Mr. Murray, did Samedan notify Texaco,
12 Inc., of its application?

13 A Yes, sir, we sent them a waiver and re-
14 quested they sign and return it to the Commission. Conver-
15 sations on the phone indicated that they would not protest
16 us but they would not sign a waiver, either.

17 Q So you've notified Texaco and you've re-
18 ceived no objection but they wouldn't sign a waiver.

19 A That's correct.

20 Q In addition there was a notation on the
21 cover letter of the application dated April 22nd, 1987.
22 What was your understanding of the result of the request for
23 an administrative approval of the nonstandard unit?

24 A Initially we thought that it could be
25 handled at the District level if we supplied all the paper-

1 work and the waiver from Texaco.

2 That's how we proceeded on this. It was
3 not until later we realized that it would require a hearing.

4 We had submitted the -- all this
5 information on April 28th, or six days after receiving this
6 letter. It was sent to the Santa Fe office and the District
7 in Hobbs.

8 Earlier this month we were going through
9 our records and we found we had not received an allowable
10 yet. We contacted Mike Stovall (sic) and it turns out it
11 had been misfiled and nothing had been done on it.

12 Mike indicated that it would require a
13 hearing and set it for this date.

14 Q So Mr. Stogner put it on the examiner's
15 docket for today as a result of his inability to execute an
16 approved administrative order.

17 A That's correct.

18 Q All right. We've got a 40-acre tract
19 that falls out of a quarter section.

20 A Yes, sir.

21 Q All right. Let's talk about your current
22 status with the well and your recommendations to the
23 Examiner concerning an effective date to approve the well so
24 that you will be in an overproduced situation.

25 A This is, again, this lease was taken back

1 from Texaco. Initially it was as an Abo play. In 1984 our
2 geologist was working the Wantz-Abo Field to the north.
3 Since that time the oil prices have fallen and our Abo wells
4 have not held up, so it fell back on us to either plug it or
5 find something else to do with it. That's when we came up
6 with the Yates attempt.

7 We have completed the well as a Yates and
8 turned it to production on April 10th of this year. We
9 visited with the District, Mr. Jerry Sexton, and he indi-
10 cated we could continue producing it until such time as an
11 allowable is either denied or we exceed six times the allow-
12 able, if it is granted.

13 To avoid the six times penalty, we'd like
14 to make the allowable effective as of my letter of April
15 28th, 1987.

16 Q And that will correspond to the date that
17 the administrative application was filed originally with the
18 Division.

19 A Yes, sir.

20 Q Let me direct your attention to Exhibit
21 Number Three. Let me show you Exhibit Number Three, Mr.
22 Murray, and have you identify that exhibit.

23 A This is the Samedan Oil Corporation
24 Hughes Federal No. 3.

25 Q Would you describe what information is

1 contained on this exhibit?

2 A It is a wellbore schematic. It includes
3 a surface and production string of casings are plugged back
4 to the Yates, the original Queen perfs, as put in by Getty,
5 and our completion on the Yates.

6 Q And the Yates completion now and those
7 perforations correspond to being included within the
8 vertical limits of the Jalmat Gas Pool?

9 A Yes, sir, that's correct.

10 Q Can you give us some of the production
11 information or production potentials that you have for this
12 well?

13 A On April 10th when we first put it down
14 the line it had produced approximately 450 MCF per day. It
15 quickly dropped down to below 200 MCF a day, which is typi-
16 cal for wells in this area.

17 Current production has stabilized at ap-
18 proximately 160 MCF per day. Cumulative production to Aug-
19 ust 1st of this year is 20,116 MCF.

20 Q The capacity of this well to produce does
21 not exceed a 160-acre allowable for this pool?

22 A No, sir, it does not.

23 Q Were Exhibits One, Two, and Three pre-
24 pared by you or compiled under your direction and supervi-
25 sion?

1 A Under my supervision.

2 MR. KELLAHIN: We move the in-
3 troduction of Samedan's Exhibits One, Two, and Three.

4 MR. CATANACH: Exhibits One,
5 Two and Three will be admitted into evidence.

6 MR. KELLAHIN; That concludes
7 our examination of Mr. Murray.

8

9 CROSS EXAMINATION

10 BY MR. KELLAHIN:

11 Q Mr. Murray, the No. 2 Well is a Langlie
12 Mattix well.

13 A Yes, sir.

14 Q It's not completed in the Jalmat.

15 A Originally it was completed and a
16 completion attempt was in the Queen. The company then
17 plugged back to the Yates zone.

18 Later on in 1975 we sold this lease to
19 Getty to put into their Langlie Mattix flood. They squeezed
20 off the Yates perfs and reentered the Queen.

21 Q Okay, so -- but it's now your lease once
22 again?

23 A Yes, sir. A provision we made in the
24 sale of it is if they ever decided to plug it we had the
25 right to take it over, and at that time we elected to.

1 Q What's the acreage dedicated to that
2 well, do you know, that 40-acre unit?

3 A Yes, sir.

4 Q Okay.

5 A I might mention that well's on our third
6 quarter budget to plug.

7 Q And it will be plugged.

8 A Yes, sir.

9 Q What is the 160-acre allowable in that
10 pool?

11 A From what we were able to gather from the
12 allocation booklet ^{it's} ~~it's~~ approximately 6800 MCF for a
13 nonmarginal well.

14 This is a prorated pool.

15 Q 6800 MCF a month?

16 A Yes, sir. Our current production is
17 approximately 4800 MCF per month.

18 Q As I understand it, you want this order
19 made effective April 28th, is that correct, retroactive?

20 A Yes, sir. This is at best a marginal
21 property. We realized that when we went into it. It's a
22 salvage operation. Any shut-in periods would just hurt our
23 economics.

24 Q Are there other Jalmat proration units
25 surrounding -- surrounding your proration unit?

1 A Yes, sir, and I have a separate map if
2 you'd like to see that.

3 Q I'm kind of interested in that.

4 MR. KELLAHIN: All right, pull
5 that out for him.

6 Q Texico Well No. 7, that is a Jalmat Pool
7 well?

8 A It's currently plugged and abandoned.

9 Q But that was -- was that the proration
10 unit then?

11 A By the District records, yes, sir.

12 Q All right. Will this proration unit, Mr.
13 Murray, adversely affect any offset operators that might
14 complete in the Jalmat?

15 A No, sir. In fact, this -- due to the low
16 reserves attributed to this, without this proration unit and
17 this particular well, the chances of anyone ever drilling
18 and recovering these reserves is highly unlikely.

19 Q As I understand it, you have been given
20 an allowable since April?

21 A No, sir. We have been given permission
22 to go ahead and produce it and deliver the gas to Texaco;
23 however, we do not have an allowable.

24 MR. TAYLOR: Would the grant of
25 a retroactive order in this case result in the protection of

1 correlative rights?

2 Is that a leading question,
3 Tom?

4 MR. KELLAHIN: I don't know how
5 intelligible. He's welcome to try his -- try a shot at an-
6 swering it.

7 MR. CATANACH: Well, let's re-
8 phrase that. Will granting of the retroactive effective
9 date of this order violate any correlative rights as you can
10 tell?

11 A No, I do not believe it will.

12 MR. CATANACH: I think that's
13 all we have of the witness. He may be excused.

14

15 (Thereupon a discussion was had off the record.)

16

17 MR. KELLAHIN: Mr. Examiner,
18 after we closed this case there's been a discussio off the
19 record concerning the appropriateness of granting this well
20 a retroactive allowable to April the 28th of '87.

21 It would appear that the case
22 is not advertised in such a way to notify Pennzoil of that
23 request and in order to make sure Pennzoil is appropriately
24 notified, we will, subsequent to the hearing, contact
25 Pennzoil and either obtain a waiver from them on the

1 question of the retroactive allowable, or give them an
2 opportunity to come before the Examiner for another hearing
3 on the subject.

4 And with your permission we
5 will do that.

6 MR. CATANACH: Pennzoil and
7 Penroc the same?

8 MR. KELLAHIN: I'm sorry, I
9 said Pennzoil and I meant Penroc.

10 They're two different
11 companies.

12 MR. CATANACH: Okay, if you
13 could provide us with that waiver as soon as you lget it,
14 Mr. Kellahin.

15 MR. KELLAHIN: All right, sir.

16 MR. CATANACH: Okay, is there
17 anything further in this case?

18 If not, it will be taken under
19 advisement.

20

21

(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 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. 9204, heard by me on August 26, 1987.
David R. Catanach, Examiner
Oil Conservation Division