

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 July 1988

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Horizon Oil and Gas Company for a non-standard oil pro- CASE
10 ration unit and downhole commingling, 9424
11 Lea County, New Mexico.

12 BEFORE: Michael E. Stogner, Examiner
13

14 TRANSCRIPT OF HEARING

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

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

21 For the Applicant: W. Perry Pearce
22 Attorney at Law
23 MONTGOMERY & ANDREWS
24 P. O. Box 2307
25 Santa Fe, New Mexico 87504

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I N D E X

RICHARD L. STAMETS

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1 MR. STOGNER: Call next Case
2 Number 9424.

3 MR. STOVALL: Application of
4 Horizon Oil and Gas Company for a nonstandard oil proration
5 unit and downhole commingling, Lea County, New Mexico.

6 MR. STOGNER: Call for appear-
7 ances.

8 MR. PEARCE: May it please the
9 Examiner, I am W. Perry Pearce for the law firm of Montgom-
10 ery and Andrews, appearing in this matter on behalf of
11 Horizon Oil and Gas Company.

12 I have one witness who needs
13 to be sworn.

14 MR. STOGNER: Are there any
15 other appearances?

16 Will the witness please stand
17 and be sworn?

18
19 (Witness sworn.)

20
21 RICHARD L. STAMETS,
22 being called as a witness and being duly sworn upon his
23 oath, testified as follows, to-wit:

24
25

DIRECT EXAMINATION

1
2 BY MR. PEARCE:

3 Q Thank you, sir. For the record would
4 you please state your name and place of residence?

5 A My name is Richard L. Stamets. I reside
6 in Santa Fe, New Mexico.

7 Q What is your occupation, Mr. Stamets?

8 A I'm a consultant in matters related to
9 the conservation of oil and gas in the state.

10 Q Mr. Stamets, have you previously testi-
11 fied before the New Mexico Oil Conservation Commission and
12 Division and had your credentials as an expert in petroleum
13 geology and petroleum regulatory matters accepted and made
14 a matter of record?

15 A Yes.

16 Q Are you familiar with the application
17 filed by Horizon Oil and Gas in the company under -- in the
18 case under consideration at this time?

19 A Yes, I am.

20 MR. PEARCE: Mr. Examiner, I
21 would tender Mr. Stamets as an expert in the field of pet-
22 roleum geology and oil and gas regulatory matters.

23 MR. STOGNER: Mr. Stamets is
24 so qualified.

25 Q All right. Mr. Stamets, very briefly,

1 what does Horizon seek today?

2 A Horizon seeks a nonstandard proration
3 unit for the Monument-Tubb Oil Pool and downhole comming-
4 ling of Monument, Blinebry, Paddock, and Tubb oil produc-
5 tion.

6 Q All right, and in what well is that,
7 please, sir?

8 A If we go to Exhibit One, which is the
9 area map, that's the well which is circled in red. It's
10 located in the southwest corner of the southeast quarter of
11 Section 8, 20 South, 37 East.

12 Q All right, sir. Anything else you'd
13 like to refer the Examiner to on Exhibit Number One?

14 A The -- you can see that I have marked
15 some of the nearby wells on that map; the wells with the
16 circles around them are the Blinebry wells. The Paddock
17 wells have the little boxes. I've not marked every single
18 well in the area but those which are the closest to the
19 well in question.

20 Also, to the east in the center of
21 Section 9 is a double line which marks the westernmost
22 boundary of the Monument Tubb Pool and this well may or may
23 not actually be in the Monument Tubb but it falls within a
24 mile so it's covered by the rules.

25 Q When was this well drilled, Mr. Stamets?

1 A That well was spudded last June and it
2 has produced in the Blinebry for awhile and it's currently
3 completed in the Paddock.

4 Q What does Horizon propose to do to pro-
5 duce this well as a downhole commingled well?

6 A Okay, as I said, the well is currently
7 completed in the Paddock with perforations from 5118 to
8 5178.

9 The Blinebry is perforated at 5593 to
10 5700, is sealed off with a bridge plug, as well as the
11 Tubb, which is at 6452 to 6466.

12 What Horizon would propose to do is just
13 simply pull the bridge plugs and run the tubing to the Tubb
14 perforations and put the well on the pump.

15 Q Okay, let's look now, if we could,
16 please, at what we've marked as Exhibit Number Two. Would
17 you discuss that for the Examiner and those in attendance,
18 please?

19 A Exhibit Number Two is simply a copy of
20 the plat from the well file on this well on which I've
21 cross-hatched the nonstandard proration units. The Bline-
22 bry and the Paddock are both on 40-acre standard oil well
23 spacing, but the Monument Tubb has 80-acre spacing and so
24 that requires a nonstandard unit for 40-acre dedication.

25 Q All right, sir, let's turn to Exhibit

1 Number Three at this time, please.

2 A Exhibit Number Three is a plat which was
3 supplied by Horizon which shows the ownership of the 40
4 acres in question and the near -- the offsetting acreage,
5 and that's confirmed by Exhibit Number One, which is the
6 area map.

7 Q The applicant, Horizon Oil and Gas pro-
8 poses to downhole commingle this well. Could you discuss
9 the economics of such downhole commingling for us, please?

10 A Well, the economics are primarily based
11 upon the relatively low volume of production that we have
12 in this well.

13 The Tubb zone is only 8 barrels a day;
14 the Blinebry is only 9; the Paddock, which is fair, at 20
15 barrels a day; but with that, when you combine the produc-
16 tion of all the zones, you've got 111 barrels of water, and
17 so in order to justify being able to produce this well they
18 do need to put all those zones together.

19 There is one other interesting factor
20 here, that the farmout that they got from Chevron only
21 gives them the rights to what they produce and so they
22 would lose any of these zones if they were not able to pro-
23 duce them.

24 I'm sorry, 144 barrels of water a day
25 there. The other number was the gas volume.

1 Q All right, sir, let's look as part of
2 this discussion at Exhibits Four A, B and C, and could you
3 describe for us what's reflected about each zone -- the
4 construction of this well by each of those exhibits?

5 A Four-A and Four-B are simply copies of
6 Form C-105. They show the various casing sizes, setting
7 depths, perforated intervals, completion information.

8 The first one is on the Paddock; the
9 second one, B, is on the Blinebry.

10 Four-C is a remedial report, copy of a
11 remedial report, which shows the perforated interval in the
12 Tubb and a test of the Tubb horizon.

13 Q Also, in looking at Exhibits Five A and
14 B, what's reflected by those exhibits?

15 A These are copies of Division Form C-116,
16 showing relatively recent production tests on the Blinebry
17 and the Paddock.

18 The Paddock, of course, which is cur-
19 rently on production, is a test this May; the Blinebry was
20 a December test.

21 Q Okay, looking to the folded Exhibit Six
22 A, B and C, could you discuss this for us, please?

23 A These are decline curves on a daily
24 basis plotted by Horizon and they confirm the numbers
25 reported as far as oil production is concerned and I did

1 check the Division's records and where there are production
2 records, they do verify these numbers.

3 Q Thank you. Mr. Stamets, is Horizon Oil
4 and Gas Company at this time proposing an allocation for
5 oil and gas production to each of the three zones it pro-
6 poses to commingle?

7 A Yes, they are. If you'll look at the
8 decline curves, you'll see that they've all flattened out
9 in a very short period of time, so they would propose to
10 allocate production just strictly on percentage basis,
11 which would be 54 percent of the oil and 25 percent of the
12 gas to the Paddock; 24 percent oil, 25 percent gas to the
13 Blinebry; 22 percent oil and 50 percent gas to the Tubb.

14 Q All right, sir, at this time let's look
15 at what we've marked as Exhibits Seven A, B and C.

16 A These are water analyses on each of the
17 individual zones that have been run by Halliburton and sup-
18 plied to me.

19 Q Okay, and do you have any information on
20 the range of gravities reported from the three zones?

21 A Yes. The gravity ranges are between 39
22 to 40 degrees for all zones, so the commingling will not
23 change the character of the oil.

24 Q And it is expected that the sales value
25 of the combined product will therefore not vary from the

1 total of the three combined -- three zones separately, is
2 that correct?

3 A Yes, that's correct.

4 Q All right, sir. Horizon is proposing to
5 commingle these formations. Are there other similar down-
6 hole commingles in the area?

7 A There is -- there is nothing in this
8 area. I've looked at the records in the area and I could
9 find some surface comminglings but I couldn't find any
10 downhole comminglings, and of course, this -- this well is
11 -- is well west of the Tubb Pool itself, so it's the only
12 one like this that has this opportunity; however, we have a
13 lot of comminglings of these three zones in other parts of
14 Lea County, so it's not an uncommon event.

15 Q Do you have anything further at this
16 time, Mr. Stamets?

17 A Yes. I did get asked for pressure in-
18 formation from Horizon and their estimated pressures, based
19 upon core levels from the individual zones, showed Paddock
20 to be about 1450; Blinbry about 1560; and Tubb about 1900
21 pounds.

22 Q Anything --

23 A No.

24 MR. PEARCE: That's all the
25 questions I have of this witness at this time, Mr.

1 Examiner.

2 I would request the admission
3 of Horizon Exhibits One through Seven, including each of
4 the sub-parts thereto.

5 MR. STOGNER: Exhibits One
6 through Seven will be admitted into evidence at this time.

7 MR. PEARCE: I have nothing
8 further at this time, Mr. Examiner.

9

10 CROSS EXAMINATION

11 BY MR. STOGNER:

12 Q Mr. Stamets, what is the combined water
13 production from this well at this time?

14 A Okay. From the Paddock, which is the
15 big zone, we're looking at 95 barrels of water; Blinebry,
16 29; Tubb, 20; for a total of 144.

17 Q Barrels a day?

18 A Correct.

19 MR. PEARCE: Mr. Examiner, if
20 I may inject, in your question you said at this time.
21 Which are those zones are shut off at this time?

22 A Paddock is the only one that's producing
23 now.

24 MR. PEARCE; Okay, so at the
25 present time it's in the area of 95 barrels a day, Mr. Exa-

1 miner.

2 Q In looking at the chronology here, Tubb
3 production was from the time it first started producing in
4 September of '87 until October -- first part of October of
5 '87?

6 A Let me take a look at the -- yes, it
7 looks like Tubb was produced from the early September to
8 about mid-October.

9 Q And then the next horizon was the Bline-
10 bry.

11 A That's correct. That one produced, oh,
12 it looks like about mid-October then, until April of this
13 year, when the well was then completed up-hole in the Pad-
14 dock.

15 Q And the gravity the grade of the crude
16 is compatible.

17 A Yes.

18 Q As shown on your exhibits.

19 A Right, and the Blinebry and the Paddock
20 are already surface commingled in the area.

21 Q Let me make sure I've got this number
22 right -- these numbers right for the production allocation.

23 The Paddock, you're proposing 25 percent
24 gas and 54 percent oil?

25 A Correct.

1 Q And for the Blinebry, 25 percent gas, 24
2 percent oil?

3 A That's correct.

4 Q And the Tubb 50 percent gas, 22 percent
5 oil.

6 A That's correct.

7 Q Okay. Now you're within a mile of the
8 Tubb zone, which is under 80-acre proration units, is that
9 correct?

10 A That is correct.

11 Q Is there any dry holes or has there been
12 any frac test of the Tubb between your well and the
13 Monument Tubb Pool?

14 A I didn't look at every single completion
15 between this well and the Tubb Pool. I looked at the wells
16 immediately to the east and immediately to the south and
17 those are primarily shallower wells, wells to the Eumont
18 and, oh, to the Monument Pool, and I don't see any dry hole
19 as such on this map, but it could be that there are.

20 Q Any other 40 acres that -- well, I'm
21 looking for notification, now, let's --

22 MR. PEARCE: Sorry, if I may
23 address that, Mr. Examiner, my office caused notice to be
24 sent certified registered receipt requested to the offset-
25 ting operators reflected on Exhibit Number Three, who are

1 Tenneco, Chevron and Amerada Hess. I will be subsequently
2 submitting the return receipts. I have already received
3 the returns from Tenneco and Amerada Hess. The Chevron
4 receipt has not yet been received in my office and that's
5 why I didn't bring those with me today.

6 MR. STOGNER: And when were
7 those sent out, Mr. Pearce?

8 MR. PEARCE: It was approxi-
9 mately three weeks ago, Mr. Examiner.

10 MR. STOGNER: So you're within
11 the 20 day --

12 MR. PEARCE: I believe that's
13 correct.

14 MR. STOGNER: Okay, you'll get
15 those to me?

16 MR. PEARCE: I will.

17 MR. STOGNER: Whenever they're
18 convenient, or whenever you get them.

19 MR. PEARCE; Yes.

20 MR. STOGNER: I'd appreciate
21 that and I have no further questions of Mr. Stamets.

22 Are there any other questions
23 of him? He may be excused.

24 Anything further in this case,
25 Mr. Pearce?

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MR. PEARCE: Nothing further
at this time, Mr. Examiner.

MR. STOGNER: Case Number 9424
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. 9424, heard by me on 20 July 1983.

[Signature], Examiner
Oil Conservation Division

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

3 August 1988

6 EXAMINER HEARING

7
8 IN THE MATTER OF:

9 Application of Horizon Oil and Gas CASE
10 Company for a non-standard oil pro- 9424
11 ration unit and downhole commingling,
12 Lea County, New Mexico.

13
14 BEFORE: Michael E. Stogner, Examiner

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17 TRANSCRIPT OF HEARING

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20 A P P E A R A N C E S

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

For the Applicant:

1 Q Describe for us, Mr. Evans, in your
2 opinion, why is this appropriate action to take on Merid-
3 ian's part as operator in the unit. What's the benefit?

4 A These wells, out of the 19 wells on this
5 lateral, we have got -- 5 of the wells are shut-in now,
6 temporarily abandoned. They produce no gas. We have got 4
7 other wells that have reached a point -- that are on the
8 borderline of their economic limit.

9 We believe we can take central- point
10 metering and probably add the compression to it, and we can
11 bring these wells back to producing, thereby preventing
12 this waste of gas.

13 Q By utilization of a central-point meter
14 in combination with the compression, will that allow you to
15 produce Pictured Cliff gas production in excess of the al-
16 lowables for the well?

17 A No, sir, there's no allowables on the --
18 on these wells. This is not a prorated pool.

19 Q Based upon your studies, Mr. Evans, do
20 you have an opinion as to whether approval of this process
21 would violated the correlate the correlative rights of any
22 of the working interest owners?

23 A No, sir, it would not violate them at
24 all.

25 Q And why not?

1 MR. STOGNER: Call next Case
2 Number 9424.

3 MR. STOVALL: Application of
4 Horizon Oil and Gas Company for a nonstandard oil proration
5 unit and downhole commingling, Lea County, New Mexico.

6 MR. STOGNER: Call for appear-
7 ances.

8 This case was heard on the
9 July 20th, 1988, hearing.

10 Due to a notification error on
11 the Applicant's part, the 21 days -- the 20-day requirement
12 would not have been met at that time so they continued it
13 to today's hearing and since there are no appearances or
14 additional testimony, this case will be taken under advise-
15 ment.

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17 (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 and true transcript of the proceedings in
the Examiner hearing of Case No. 9424
heard by me on 3 August 1988
Michael [Signature] Examiner
Oil Conservation Division

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

6 July 1988

EXAMINER HEARING

IN THE MATTER OF:

Application of Horizon Oil and Gas CASE
Company for a non-standard oil pro- 9424
ration unit and downhole commingling,
Lea County, New Mexico.

BEFORE: David R. Catanach, 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 the Applicant:

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MR. CATANACH: Call next Case
Number 9424.

MR. STOVALL: Application of
Horizon Oil and Gas Company for a non-standard oil pro-
ration unit and downhole commingling, Lea County, New
Mexico.

The applicant has requested
that Case No. 9424 be continued.

MR. CATANACH: Case No. 9424
will be continued to the Examiner Hearing July 20, 1988

(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. 9264,
heard by me on July 6 1988.
David R. Catanz, Examiner
Oil Conservation Division