

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

26 October 1988

EXAMINER HEARING

IN THE MATTER OF:

Application of Union Oil Company of                   CASE  
California d/b/a Unocal for a non-                   9435  
standard gas proration unit and un-  
orthodox gas well location, Lea  
County, New Mexico.

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division:                   Robert G. Stovall  
  Legal Counsel to the Division  
  State Land Office Building  
  Santa Fe, New Mexico

For the Applicant:

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO  
OCT 26 1988  
9435

1 MR. STOGNER: Call next Case  
2 Number 9435.

3 MR. STOVALL: Application of  
4 Union Oil Company of California, d/b/a Unocal, for a non-  
5 standard gas proration unit and unorthodox gas well loca-  
6 tion, Lea County, New Mexico.

7 MR. STOGNER: Call for ap-  
8 pearances.

9 MR. HALL: Mr. Examiner, Scott  
10 Hall from Campbell & Black, appearing on behalf of Union  
11 Oil Company.

12 I believe this case is simply  
13 a readvertisement.

14 MR. STOGNER: When was this  
15 heard, Mr. Hall? Do you remember?

16 MR. HALL: I don't know. I  
17 think it was earlier this summer and an order has come out,  
18 and it was a correction in the order, which also necessi-  
19 tated a new advertisement.

20 MR. STOGNER: It looks like  
21 the footage location was incorrect. Is that correct?

22 MR. HALL: I think so.

23 MR. STOGNER: It should have  
24 been -- an order was issued in this particular case; how-  
25 ever -- or I take that back. An order had been issued as

1 of yet but due to an advertisement error and an error in  
2 the docket, this case was readvertised at this time to take  
3 this matter up, and since there is no objections or ap-  
4 pearances, this case will be taken under advisement.

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(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 record of the proceedings in the Examiner hearing of Case No. 9435, heard by me on 26 October 1988.

Michael E. Stogatz, 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

6 20 July 1988

7 EXAMINER HEARING

8 IN THE MATTER OF:

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11 standard gas proration unit and un-  
orthodox gas well location, Lea County,  
New Mexico.

12 BEFORE: Michael E. Stogner, Examiner

13  
14 TRANSCRIPT OF HEARING

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

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

20 For the Applicant: William F. Carr  
21 Attorney at Law  
22 CAMPBELL and BLACK, P. A.  
P. O. Box 2208  
Santa Fe, New Mexico 87501

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I N D E X

JOHN T. GRAY

Direct Examination by Mr. Carr 3

E X H I B I T S

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Unocal Exhibit Five, Affidavit	10

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4 Union Oil Company of California, d/b/a Unocal, for a non-  
5 standard gas proration unit and unorthodox gas well loca-  
6 tion, Lea County, New Mexico.

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

9 MR. CARR: May it please the  
10 Examiner, my name is William F. Carr, with the law firm  
11 Campbell & Black, P. A., of Santa Fe. We represent Unocal  
12 and have one witness.

13 MR. STOGNER: Are there any  
14 other appearances in this matter?

15 Will the witness please stand  
16 and be sworn?

17  
18 (Witness sworn.)

19  
20 JOHN T. GRAY,  
21 being called as a witness and being duly sworn upon his  
22 oath, testified as follows, to-wit:

23  
24 DIRECT EXAMINATION

25 BY MR. CARR:

1           Q           Will you state your full name for the  
2 record, please?

3           A           My name is John T. Gray.

4           Q           Where do you reside?

5           A           I reside in Midland, Texas.

6           Q           Mr. Gray, by whom are you employed and  
7 in what capacity?

8           A           By Union Oil Company of California as a  
9 reservoir engineer.

10          Q           Have you previously testified before  
11 this Division and had your credentials as a reservoir en-  
12 gineer accepted and made a matter of record?

13          A           Yes, I have.

14          Q           Are you familiar with the application  
15 filed in this case on behalf of Unocal?

16          A           Yes, sir, I am.

17          Q           Are you familiar with the proposed well  
18 and the subject area?

19          A           Yes, I am.

20                   MR. CARR: Are the witness'  
21 qualifications acceptable?

22                   MR. STOGNER: They are.

23          Q           Mr. Gray, would you briefly state what  
24 Unocal seeks with this application?

25          A           We seek a nonstandard location and a

1 nonstandard proration unit for a gas well in the House-  
2 Seven Rivers-Yates Pool.

3 Q Now, Mr. Gray, what is the status of the  
4 rules for this particular pool?

5 A Currently they are on statewide rules.  
6 We have an application before the Commission to change  
7 those rules from the statewide 160-acre spacing to 80-acre  
8 spacing.

9 Q Why is Unocal going forward at this time  
10 with this application prior to the time the application for  
11 the pool rules is resolved?

12 A We have lease expiration coming up  
13 August 29th. We need to proceed.

14 Q Mr. Gray, would you refer to what has  
15 been marked for identification as Unocal Exhibit Number One  
16 and identify this and review the information on this exhi-  
17 bit for Mr. Stogner?

18 A This is a map showing the proration unit  
19 outlined in blue. The acreage that we own is outlined in  
20 red and it's offsetting outside the pool area but within  
21 the one mile limit.

22 Q And where is the stateline, the Texas/  
23 New Mexico line?

24 A It is that broad, dashed line just to  
25 the east of the red.

1           Q           So this proration unit on the east  
2           adjoins the New Mexico/Texas stateline.

3           A           That's correct.

4                       MR. STOGNER:   Excuse me, Mr.  
5           Carr, have we qualified your witness?

6                       MR. CARR:   Yes, you did.

7                       MR. STOGNER:   If we haven't  
8           already, the witness --

9                       MR. CARR:   Are the witness'  
10          qualifications acceptable, Mr. Stogner?

11                      MR. STOGNER:   They are.

12           Q           Mr. Gray, we're referring to Exhibit  
13          Number One, and you've identified an area outlined in blue,  
14          the House-Yates-Seven Rivers, and as red the proration  
15          unit.

16                      Would you provide the footage descrip-  
17          tion of the proposed unorthodox well location?

18           A           Yes, it is approximately 600 feet from  
19          the north line and 330 feet from the west line of Lot 1 in  
20          Section 5.

21           Q           Now this plat also shows other develop-  
22          ment in the area, does it not?

23           A           It does.

24           Q           In what formation are those wells com-  
25          pleted?

1           A           They are mainly completed in the San  
2 Andres, depth at about 4500.

3           Q           How many wells are there currently pro-  
4 ducing in the House-Yates-Seven Rivers Pool?

5           A           I think there are three wells currently  
6 producing.

7           Q           Can you identify those for Mr. Stogner?

8           A           Yes, I can. In Section 5, the MGF  
9 Wright No. 1.

10          Q           Which is which well in Section 5?

11          A           It's the one in the --

12          Q           The gas symbol?

13          A           Right. Northeast of that in Section 32  
14 is the MGF Sun No. 1. West of that in Section 31 is the  
15 MGF Speight No. 1.

16          Q           And what are the primary producing form-  
17 ations in this area?

18          A           This is primarily, here in the pool the  
19 Seven Rivers formation. The adjacent wells are also San  
20 Andres producers. There is one deep producer in Texas  
21 that's a Clearfork producer.

22          Q           In your opinion how important is struc-  
23 ture in determining whether or not you're able to make a  
24 successful well in this area?

25          A           It's very important.

1 Q Let's go to Exhibit Number Two and I'd  
2 ask you to identify that and review that for Mr. Stogner.

3 A Exhibit Two is a structure map on the  
4 Seven Rivers. In red is outlined the Seven Rivers Pool.  
5 The red dots are wells that have been completed in the  
6 Seven Rivers formation. Two of those are not currently  
7 producing.

8 The small red dot in the northwest quar-  
9 ter of Section 5, or northeast quarter, excuse me, is our  
10 proposed location.

11 Q And what is the area that is outlined in  
12 yellow off to the right?

13 A That's Unocal's current acreage.

14 Q What is the status of the tract upon  
15 which the proposed well is to be drilled? Who is the owner  
16 of that?

17 A That, the owner of that is C. Craig  
18 Folsen.

19 Q Is Mr. Folsen participating with you in  
20 the development of this property?

21 A Yes, it was his proposal.

22 Q Now, let's move on to what has been mark-  
23 ed as Exhibit Number Three and would you describe what that  
24 is?

25 A Exhibit Three is the porosity isopach of

1 the Seven Rivers. Again the outline is in red and the  
2 wells are similarly marked. This map shows that the poro-  
3 sity is increasing as you go toward the east.

4 Q Anything else of this Exhibit?

5 A No.

6 Q Would you now go to Exhibit Number Four,  
7 your cross section, and review that, and first of all, is  
8 there a line for this cross section, a trace for this cross  
9 section on Exhibit Number Three?

10 A Yes, there is. It goes from the MGF Sun  
11 to the MGF Wright to the MGF Well (unclear).

12 Q Would you review Exhibit Number Four,  
13 the cross section, please?

14 A This cross section shows the very thin  
15 stringers that occur across the entire pool. As you go  
16 from east to west the stringers thin out and one actually  
17 totally disappears. The porosity is greatest in the MGF  
18 No. 1. It has the largest amount of pay, over 10 percent.

19 Q Mr. Gray, from your study of this area  
20 what conclusions have you reached about the potential for  
21 drilling a successful well at the proposed unorthodox loca-  
22 tion?

23 A We believe the well is a good candidate  
24 because it is a combination of the two things that make  
25 good well here. It is structurally similar to the MGF Sun

1 and it is -- has a good porosity structure also.

2 Q Do you believe it is possible at this  
3 location to produce reserves from this pool that will  
4 otherwise not be produced?

5 A That's correct.

6 Q Why is the nonstandard proration neces-  
7 sary?

8 A Because of the U. S. Public Land Survey.

9 Q And there's no other reasonable acreage  
10 to dedicate to this well, is there?

11 A That's correct.

12 Q Why is the unorthodox location neces-  
13 sary?

14 A Because it's taking advantage of the  
15 structural position.

16 Q Would you identify what has been marked  
17 as Unocal Exhibit Number Five, please?

18 A This is the affidavit from William F.  
19 Carr stating that Rule 1207 has been complied with.

20 Q And attached to that are copies of let-  
21 ters to offsetting owners?

22 A That's correct.

23 Q And to whom has notice been given?

24 A To Cities Service Oil and Gas Corpora-  
25 tion and MGF Oil Corporation.

1 Q Were Exhibits One through Four prepared  
2 by you and Exhibit Five compiled at your direction?

3 A Yes, they were.

4 MR. CARR: At this time, Mr.  
5 Stogner, we move the admission of Unocal Exhibits One  
6 through Five.

7 MR. STOGNER: Exhibits One  
8 through Five will be admitted into evidence.

9 MR. CARR: That concludes my  
10 direct examination of Mr. Gray.

11 MR. STOGNER: I feel compelled  
12 to ask this question.

13 Who is the offset operator  
14 across the Texas stateline?

15 A Unocal.

16 MR. STOGNER: Your counterpart  
17 in Texas didn't object then.

18 A No.

19 MR. STOGNER: Let's see, this  
20 pool is presently is pending an order, is that correct,  
21 Mr. Carr?

22 MR. CARR; That's right, Mr.  
23 Stogner.

24 MR. STOGNER: And in Case Num-  
25 ber 9460, is that right?

1 MR. CARR: I don't know, if  
2 you say so. There was an application filed by Unocal to  
3 reduce spacing from statewide 160's to 80-acre spacing, and  
4 this would be an unorthodox location regardless of what the  
5 disposition of that matter is.

6 MR. STOGNER: And also the  
7 proration unit.

8 MR. CARR: That's right.

9 MR. STOGNER: Okay. I'm going  
10 to take administrative notice of Case Number 9416 at this  
11 time, also.

12 I have no other questions of  
13 this witness.

14 Are there any questions of Mr  
15 Gray?

16 If not, he may be excused.  
17 Anything further in Case Num-  
18 ber 9435?

19 MR. CARR: Nothing further.

20 MR. STOGNER: This case will  
21 be taken under advisement.

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23 (Hearing concluded.)

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*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. 9435 heard by me on 20 July 1988.  
*Michael H. Steyer*, Examiner  
Oil Conservation Division