

1 NEW MEXICO OIL CONSERVATION DIVISION

2 STATE LAND OFFICE BUILDING

3 STATE OF NEW MEXICO

4 CASE NO. 10440

5
6 IN THE MATTER OF:

7
8 The Application of OXY USA, Inc.,
9 for Extension of the Vertical Limits
10 for a Portion of the Langlie-Mattix
11 Pool and the Concomitant Contraction
12 of a Portion of the Jalmat Gas Pool,
13 Lea County, New Mexico.

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15
16 BEFORE:

17 DAVID R. CATANACH

18 Hearing Examiner

19 State Land Office Building

20 February 6, 1992

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23 REPORTED BY:

24 CARLA DIANE RODRIGUEZ
25 Certified Shorthand Reporter
for the State of New Mexico

ORIGINAL

A P P E A R A N C E S

FOR THE NEW MEXICO OIL CONSERVATION DIVISION:

ROBERT G. STOVALL, ESQ.

General Counsel
State Land Office Building
Santa Fe, New Mexico 87504

FOR THE APPLICANT:

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BY: W. THOMAS KELLAHIN, ESQ.

I N D E X

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Appearances

2

WITNESSES FOR THE APPLICANT:

1. ROBERT R. ELLIOTT

Examination by Mr. Kellahin

4

Examination by Mr. Catanach

16

Certificate of Reporter

19

E X H I B I T S

Page Marked

Exhibit No. 1

5

Exhibit No. 2

8

Exhibit No. 3

11

Exhibit No. 4

13

Exhibit No. 5

15

1 EXAMINER CATANACH: At this time we'll
2 call Case 10440.

3 MR. STOVALL: Application of Oxy, USA,
4 Inc., for extension of the vertical limits for a
5 portion of the Langlie-Mattix Pool and the
6 concomitant contraction of a portion of the
7 Jalmat Gas Pool, Lea County, New Mexico.

8 EXAMINER CATANACH: Are there
9 appearances in this case?

10 MR. KELLAHIN: Mr. Examiner, I'm Tom
11 Kellahin of the Santa Fe law firm of Kellahin,
12 Kellahin & Aubrey appearing on behalf of the
13 Applicant, and I have one witness to be sworn.

14 EXAMINER CATANACH: Will the witness
15 please stand to be sworn in.

16 ROBERT R. ELLIOTT

17 Having been first duly sworn upon his oath, was
18 examined and testified as follows:

19 EXAMINATION

20 BY MR. KELLAHIN:

21 Q. Mr. Elliott, for the record, would you
22 please state your name and occupation.

23 A. My name is Robert Elliott. I'm an
24 operations engineer for Oxy, USA.

25 Q. Mr. Elliott, on prior occasions have

1 you testified before the Division?

2 A. No, I have not.

3 Q. Summarize for us when and where you
4 obtained your degree?

5 A. I received my B.S. degree in petroleum
6 engineering from the University of Tulsa in July
7 of 1988.

8 Q. What is it you currently do for your
9 company?

10 A. I'm an operations engineer, and part of
11 my areas of responsibility are in Lea County, New
12 Mexico.

13 Q. Have you been assigned the
14 responsibility to review the engineering and
15 other factors concerning your application on
16 behalf of your company to increase the vertical
17 limits in the Oxy Thomas A #4 well which is the
18 subject of this application?

19 A. Yes, I have.

20 MR. KELLAHIN: We tender Mr. Elliott as
21 an expert petroleum engineer.

22 EXAMINER CATANACH: He is so qualified.

23 Q. Mr. Elliott, let me ask you to turn to,
24 sir, what we've marked as Oxy Exhibit No. 1. So
25 that we can begin discussing the topic at issue

1 here, would you identify for us the information
2 shown on that display?

3 A. Yes. Exhibit No. 1 is a well plat of
4 Sections 19, 20, 29 and 30 of Range 37 East,
5 Township 24 South, in Lea County, New Mexico.

6 Q. When we look at the plat, you've got
7 various well symbols and they're color coded. Go
8 through the display and tell us how to read it
9 and the significance of the color codes.

10 A. The magenta color indicates
11 Langlie-Mattix wells. The blue indicates Jalmat
12 wells, and the magenta and blue circles indicate
13 commingled production.

14 Q. You've identified on your display a
15 well by indicating its location with a red arrow?

16 A. Yes.

17 Q. What is that well?

18 A. That is Oxy's Thomas A #4.

19 Q. It's contained within an area, an
20 80-acre tract that's identified with a yellow
21 hash line?

22 A. Yes.

23 Q. What does that mean?

24 A. That is the Thomas "A" lease boundary.

25 Q. What is the problem that has come to

1 your attention that's required you to appear
2 before the Examiner today, Mr. Elliott?

3 A. Recently, Oxy added perforations to the
4 Thomas "A" #4 which were above the defined limits
5 of the Langlie-Mattix pool.

6 Q. Refresh the Examiner's recollection.
7 Let's talk about the Langlie-Mattix pool. How
8 are the limits of that pool described by the
9 Division orders?

10 A. Order R-520 describes the
11 Langlie-Mattix as being 100 feet above the top of
12 the Queen formation or the base of the Seven
13 Rivers.

14 Q. All right. So the top of the pool is
15 defined by a distance above the top of the Queen?

16 A. Yes, sir.

17 Q. What is the pool that's immediately on
18 top of the Langlie-Mattix pool?

19 A. That would be the Jalmat gas pool.

20 Q. Prior to adding the additional
21 perforations in the Thomas "A" #4 well, were all
22 the perforations in that well production
23 attributable to the Langlie-Mattix pool?

24 A. Yes.

25 Q. By the additional perforations added,

1 you inadvertently caused perforations outside the
2 vertical limits of the Langlie-Mattix pool?

3 A. That is correct.

4 Q. How did that occur?

5 A. We reviewed the offset Langlie-Mattix
6 completions and found that all of our offsetting
7 wells had perforations in a zone that was above
8 where we were perforated in the Thomas "A" 4. We
9 simply added perforations correlative to the
10 offsetting wells.

11 Q. Did you make a determination that the
12 offsetting wells, which had those additional
13 perforations in there, that that production was
14 being attributed to the Langlie-Mattix pool?

15 A. That's correct.

16 Q. Let's go to Exhibit No. 2 so that the
17 Examiner can see the geologic relationship of
18 your well to other wells. Before we discuss the
19 details of Exhibit No. 2, simply identify it for
20 me, please.

21 A. Exhibit No. 2 is a cross-section. The
22 cross-section includes the Cooper Jal unit #240,
23 Thomas "A" #3, Thomas "A" #4 and the Sowell #1.

24 Q. What's the purpose of utilizing the
25 Cooper Jal #240 well in the cross-section?

1 A. The 240 well is also a part of the
2 cross-section which the State uses to define the
3 top of the Queen formation.

4 Q. In making your review of this
5 particular issue, have you been able to determine
6 whether or not the pick, geologically, of the top
7 of the Queen, is an easy matter to resolve among
8 engineers and geologists?

9 A. It's rather confusing. We obtained the
10 pick that is identified on this cross-section
11 from the OCD. We spoke to Mr. Paul Kautz.

12 Q. To remove any difficulty about the pick
13 of the top of the Queen, then, you have utilized
14 a control well that the Division utilizes for
15 picking the top of the Queen?

16 A. Yes.

17 Q. From there, then, what did you do?

18 A. We just correlated across to the other
19 wells on the cross-section.

20 Q. What are the other three wells?

21 A. The Thomas "A" #3, the Thomas "A" #4
22 and the Sowell #1.

23 Q. When you add a hundred feet to the top
24 of the Queen, what happens in each of those
25 wells?

1 A. That is the State definition of the top
2 of the Langlie-Mattix, as defined by Order R-520.

3 Q. When you look at the perforations in
4 each of those wellbores, there are perforations
5 that are across or over or above the top of the
6 Langlie-Mattix pool?

7 A. That's correct.

8 Q. When we turn your attention to the
9 Thomas "A" 3 well, which is the well on your
10 lease north of the subject well--

11 A. Yes.

12 Q. --what has been the solution to resolve
13 the problem of that well being perforated above
14 the top of the pool?

15 A. The OCD granted an extension of the
16 vertical limits of the Langlie-Mattix pool to
17 3416 feet by Order No. R-6928.

18 Q. Is that a similar solution that you're
19 seeking for the Thomas "A" #4 well?

20 A. Identical.

21 Q. When we look at the ownership within
22 the 80-acre leased tract, have you had someone
23 examine, on behalf of your company, the ownership
24 of the Thomas "A" lease within this 80 acres?

25 A. Yes, we have.

1 Q. Do you find any difference in
2 percentages or identities of individuals or
3 companies that are sharing in production between
4 what would be Jalmat production versus the
5 Langlie-Mattix production?

6 A. There are no differences.

7 Q. Would there be any impairment of
8 correlative rights of any of those owners if the
9 vertical limits of the Langlie-Mattix is extended
10 so that all your perforations are attributable to
11 the Langlie-Mattix?

12 A. No.

13 Q. Do you gain any advantage over or do
14 you impair the correlative rights of any of the
15 offset operators or owners if the vertical limits
16 are increased as you propose?

17 A. No.

18 Q. Why not?

19 A. They're already draining that zone. We
20 simply want to get our fair share of it.

21 Q. They're already doing what you're
22 trying to do?

23 A. That's correct.

24 Q. Let's turn to some more information,
25 Mr. Elliott. Identify for us Exhibit No. 3.

1 A. Exhibit No. 3 simply shows units around
2 the Oxy Thomas "A" #4 which have had orders
3 dealing with similar problems that we have on our
4 Thomas "A" #4.

5 MR. KELLAHIN: Mr. Examiner, I believe
6 we've provided you copies of all these orders.
7 The first one in yellow was originally requested
8 by Oxy. That's the spacing unit north of the
9 subject well.

10 6524-A is Mr. Hartman's request that
11 dealt with the acreage that's shaded in black.
12 The blue acreage was the subject of Order 6659.

13 I need to make you aware that there is
14 a difference with those orders. R-6659 began to
15 deal with Mr. Hartman's application to increase
16 the vertical limits in the Langlie-Mattix.
17 Apparently, as best we can reconstruct, Mr.
18 Hartman subsequently had the Commission enter
19 Order 6659-A which, in effect, dismisses the
20 first case.

21 The result is that there are
22 Langlie-Mattix wells in the blue area that
23 display a similar problem to Oxy's properties
24 but, in fact, there is no Commission order that
25 has increased the vertical limits in those

1 wells.

2 It is our information that those
3 properties are now owned by Meridian, so there's
4 a glitch in the approval process for the blue
5 acreage. Those wells have the same problem, but
6 they haven't fixed them yet. All right. When
7 you get down to green acreage, that's Mr.
8 Yuronka's application in 6518, and that one
9 appears to be consistent with the solution we're
10 requesting.

11 And then finally, the hot pink or the
12 red color is Texaco's application for a unit in
13 R-4929, that has a similar solution to ours.

14 Q. (BY MR. KELLAHIN) All right. Mr.
15 Elliott, let me have you continue with
16 identifying and describing Exhibit No. 4.

17 A. Exhibit No. 4 shows the history of the
18 Thomas "A" #4. As you can see, it was drilled in
19 late 1983 and completed in January of 84. It was
20 completed as a Langlie-Mattix well through
21 perforations extending from 3463 to 3624
22 overall.

23 The well IP'd at 146 barrels of oil per
24 day, five barrels of water per day, and 282 Mcf
25 per day. No work has been done to the wellbore

1 until recently, when we added perforations from
2 3401 to 3406.

3 The exhibit also gives a current
4 production rate as 15 barrels of oil per day, 10
5 barrels of water, and 12 Mcf.

6 Q. Mr. Elliott, have you made a review of
7 the Jalmat gas pool rules and, in that review, do
8 you note whether or not you're allowed to
9 simultaneously dedicate Jalmat acreage to an oil
10 well and to a gas well?

11 A. We cannot simultaneously dedicate.

12 Q. Do you have an opinion as to whether
13 increasing the vertical limits in this well, as
14 you propose, is an appropriate solution to this
15 issue?

16 A. I feel that it is the most reasonable
17 solution we have.

18 Q. Let's give the Examiner a specific
19 footage reference. You're specifically
20 requesting that the vertical limits in the
21 Langlie-Mattix, for this well, be set at what
22 subsurface elevation?

23 A. Subsurface elevation would be 3387.

24 Q. And if you take a measured depth
25 elevation, what would that number be?

1 A. From KB, 3400 feet.

2 MR. KELLAHIN: In addition, Mr.
3 Examiner, I believe Exhibit No. 5 represents our
4 certification of notice by certified mail to the
5 interest owners that might be affected by this
6 application.

7 Q. Are you aware, Mr. Elliott, of any
8 objection to your application to increase the
9 vertical limits in this well?

10 A. No, sir.

11 MR. KELLAHIN: In addition, Mr.
12 Examiner, I'm aware of no objection.

13 EXAMINER CATANACH: Mr. Kellahin, who
14 was notice provided to in this case?

15 MR. STOVALL: Not by name, but how did
16 you determine that? Was it the offset operators,
17 primarily?

18 MR. KELLAHIN: Let me double-check with
19 Mr. Foppiano. In the application itself for this
20 case, we have referenced these individuals. They
21 are the offset operators, the royalty and working
22 interest owners that are participating in this
23 production, and that might be affected by the
24 vertical change. In addition, it's the offset
25 operators for that production.

1 MR. STOVALL: In other words, just to
2 clear it up to make sure I understand, Doyle
3 Hartman, for example, is notified not because of
4 his well in Section 20, but because of an
5 interest he has in this well, is that correct?

6 MR. FOPPIANO: That's correct.

7 MR. KELLAHIN: I believe that's
8 correct, Mr. Stovall. We can have Mr. Foppiano
9 sworn and testify, if you want specifics on it.

10 MR. STOVALL: I think you can state
11 that that's your understanding.

12 MR. KELLAHIN: And that is our
13 representation, and it is contained in the
14 application. Just for a quick reference, Mr.
15 Examiner, here is Exhibit A from the application
16 and it shows how we've identified the parties.

17 MR. STOVALL: And that's already in the
18 record, so we don't need to examine it.

19 EXAMINATION

20 BY EXAMINER CATANACH:

21 Q. Mr. Elliott, did you say you had
22 discussed this with our district office and they
23 were in agreement with what you've proposed here
24 today?

25 A. No, I did not say that.

1 Q. Have you, in fact, talked with them or
2 anyone from Oxy talked with them?

3 A. I believe Mr. Foppiano has.

4 MR. STOVALL: Let me ask. This is an
5 80-acre proration unit, is that correct?

6 THE WITNESS: The Langlie wells are on
7 40 acres.

8 MR. STOVALL: So the 3 and the 4 are
9 not on the same proration unit?

10 THE WITNESS: That's correct.

11 MR. KELLAHIN: They're in the same base
12 lease ownership, but the spacing units are
13 40-acre tracts.

14 Q. (BY EXAMINER CATANACH) Neither of the
15 Thomas wells are producing from the Jalmat,
16 right? It's just the Langlie-Mattix?

17 A. That's correct.

18 Q. This is the solution that the Division
19 has apparently been most comfortable with in
20 cases like this as far as I can tell, and as far
21 as you can tell, is that correct?

22 A. Yes.

23 EXAMINER CATANACH: I have no further
24 questions. Anything further in this case?

25 MR. KELLAHIN: We would request that

1 Exhibits 1 through 5 be admitted into the
2 record.

3 EXAMINER CATANACH: Exhibits 1 through
4 5 will be admitted in evidence.

5 MR. KELLAHIN: As a footnote, Mr.
6 Examiner, it was at the District Office's request
7 that we bring this matter to your attention.
8 They concur in this solution and would not let us
9 to continue to produce this well without the
10 change.

11 EXAMINER CATANACH: Okay. Thank you,
12 Mr. Kellahin. Anything further?

13 MR. KELLAHIN: No, sir.

14 MR. CATANACH: There being nothing
15 further, Case 10440 will be taken under
16 advisement.

17 (And the proceedings concluded.)
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CERTIFICATE OF REPORTER

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

I, Carla Diane Rodriguez, 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 February 17,
 1992.

Carla Diane Rodriguez
 CARLA DIANE RODRIGUEZ, RPR
 CSR No. 4
 I do hereby certify that the foregoing
 is a complete record of the proceedings in
 the Examiner hearing of Case No. 10440.
 heard by me on February 6, 1992.

David R. Catant, Examiner
 Oil Conservation Division