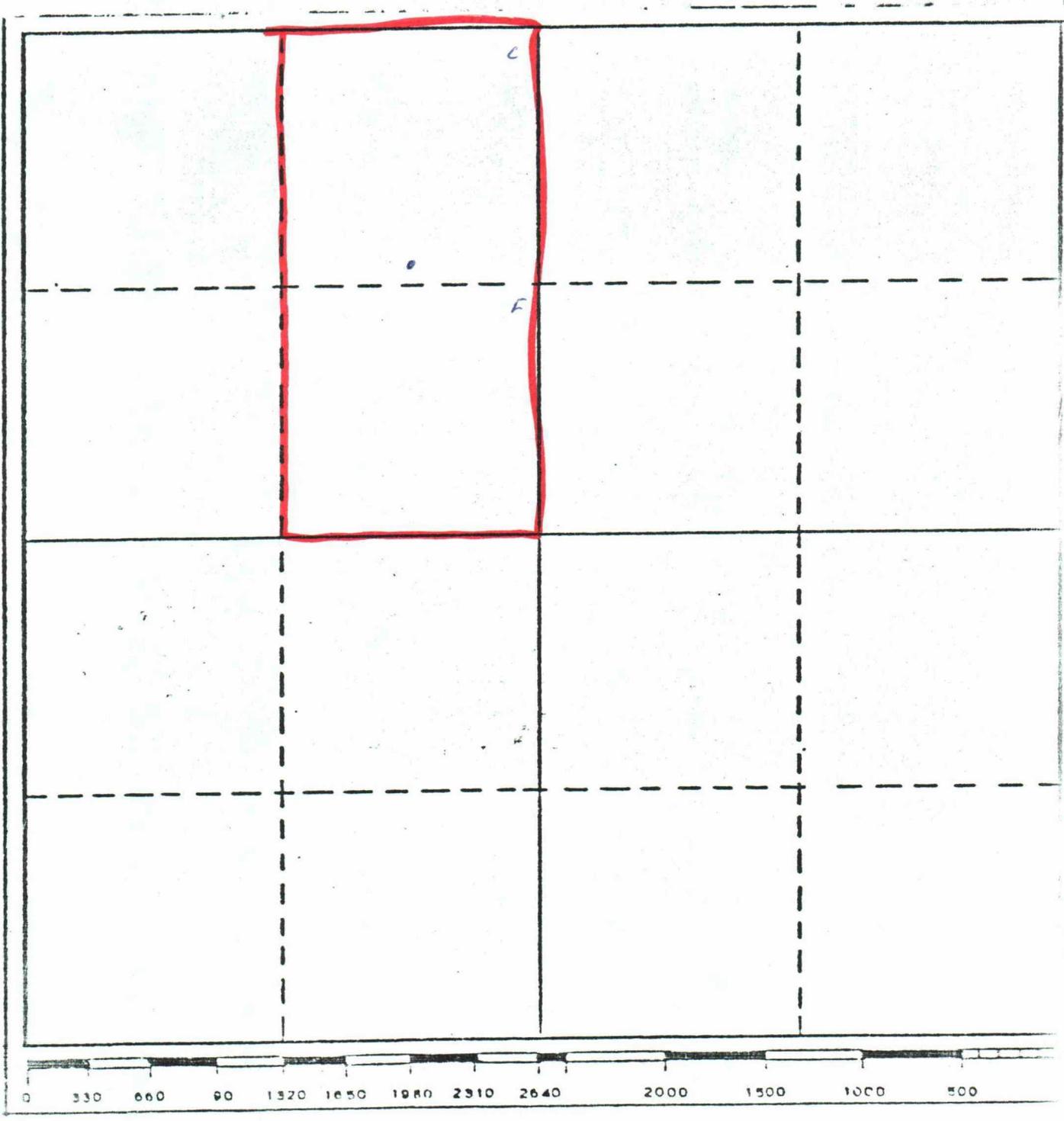


3-7175-R37E, NMP, Lea County, New Mexico



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October 14, 1986

RECEIVED
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OIL CONSERVATION DIVISION

Mr. Richard L. Stamets
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

"Hand Delivered"

Re: Pennzoil Company
Unorthodox Well Location
Shipp-Strawn Oil Pool

Case 9022

Dear Mr. Stamets:

On October 10, 1986 we filed an application for the hearing to be held on November 5, 1986 on behalf of Pennzoil Company for approval of an unorthodox well location for the Waldron #2 well. I wish to correct an error in paragraph 6 of the application. The well is located in the NE/4NW/4 and not in the SE/4NW/4.

Very truly yours,


W. Thomas Kellahin

WTK:ca
Enc.

cc: Greg Davis
Pennzoil Company
P. O. Box 1828
Midland, Texas 79701

Paul Bruce
Pennzoil Company
P. O. Box 1828
Midland, Texas 79701

KELLAHIN and KELLAHIN

Mr. Richard L. Stamets
October 14, 1986
Page 2

cc: Mobil Producing Texas & New Mexico Inc.
P. O. Box 633
Midland, Texas 79702

Harvey E. Yates Company
Explorers Petroleum Corporation
Spiral Inc.
P. O. Box 1933
Roswell, New Mexico 88201

Yates Energy Corporation
Fred G. Yates Inc.
Suite 1010, Sunwest Centre
Roswell, New Mexico 88201

Mesa Operating Limited Partnership
P. O. Box 2009
Amarillo, Texas 79189-2009

Sabine Corporation
P. O. Box 3083
Midland, Texas 79702

Louisiana Land and Exploration Company
Suite 1200, 2950 North Loop West
Houston, Texas 77092

Amerada Hess Corporation
P. O. Box 2040
Tulsa, Oklahoma 74102

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I N D E X

GREGORY L. HAIR

Direct Examination by Mr. Kellahin 3

Cross Examination by Mr. Stogner 9

E X H I B I T S

Pennzoil Exhibit One, Land Plat 4

Pennzoil Exhibit Two, Isopach 6

Pennzoil Exhibit Three, Notices 8

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MR. STOGNER: We'll call next
Case Number 9022.

MR. TAYLOR: The application of
Pennzoil Company for an unorthodox oil well location, Lea
County, New Mexico.

MR. KELLAHIN: If the Examiner
please, I'm Tom Kellahin of Santa Fe, New Mexico, appearing
on behalf of the applicant and I have one witness to be
sworn.

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

Will the witness please stand
and be sworn.

(Witness sworn.)

GREGORY L. HAIR,
being called as a witness and being duly sworn upon his
oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Will you please state your name and occu-
pation?

1 A Gregory L. Hair. I'm employed by Penn-
2 zoil Company as a geologist.

3 Q As a geologist have you previously testi-
4 fied before the Oil Conservation Division, and had your
5 qualifications accepted and made a matter of record?

6 A Yes, I have.

7 Q And have you made a review of the geolo-
8 gic factors in support of Pennzoil's application before the
9 Division today?

10 A Yes, I have.

11 MR. KELLAHIN: We tender Mr.
12 Hair as an expert petroleum geologist.

13 MR. STOGNER: The witness is
14 considered qualified.

15 Q Mr. Hair, let me direct you to what we've
16 marked as Exhibit One and have you identify that, plat for
17 us.

18 A Mr. Examiner, this is a land plat of the
19 area in question and we're specifically looking at the pro-
20 ration unit being the 80 acres that is the east half of the
21 northeast quarter of Section 3.

22 The plat shows the major interest holders
23 in the area. That acreage colored yellow is where Pennzoil
24 has working interest. Anything solid yellow Pennzoil has 100
25 percent leases in the area and anything that is outlined in

1 yellow (this portion of tape lost due to malfunction.)

2 Around the application area the working
3 interest owners, all of the major owners are noted.

4 Q What is Pennzoil seeking to accomplish
5 with this application, Mr. Hair?

6 A We are trying to drill a Strawn oil well
7 in the least risky location within the 80-acre proration
8 unit.

9 Q How have you identified that proposed lo-
10 cation on Exhibit Number One?

11 A It is marked with a green arrow in the
12 Shipp-Strawn Field.

13 Q Mr. Hair, what is the spacing requirement
14 for a well in that pool?

15 A 80 acres.

16 Q Within the spacing unit, being the east
17 half of the northwest quarter, what would the pool rules re-
18 quire for a well at a standard location?

19 A A standard location in the Shipp Field is
20 any well within 150 feet of the center of a quarter quarter
21 section.

22 Q And in what particular way is your
23 proposed location for this well unorthodox?

24 A In the north/south direction. We're ask-
25 ing for 1300 feet from the north line. This is approxi-

1 mately 20 feet from the boundary of the quarter section and
2 is within the limits as defined by the Commission but is a
3 nonstandard location in that direction. In the east/west
4 direction we're 1980 feet from the west line, which is a
5 legal location in that direction.

6 Q To an outer boundary, then, it's at a
7 standard location and you're moving simply closer to the in-
8 ternal 40-acre tract line.

9 A That is correct.

10 Q Let's turn now to Exhibit Number Two and
11 have you identify that exhibit for us.

12 A This is a simple Isopach of the Strawn.
13 We've left off all the outside things because we're only in-
14 terested in this one little pool.

15 The Strawn here is composed of numerous
16 pods which vary in size and shape. We recently have drilled
17 a well which is marked on this map in the northwest of the
18 northwest with a number 215. That is the Pennzoil -- No. 1
19 Pennzoil Meyers.

20 Pipe was run on that well last weekend
21 and we expect to complete that as a Strawn oil well within
22 the week. This will be an offset to that well.

23 The other well in Section 3 is the dry
24 hole marked with 123, the Waldron. It was drilled last year
25 to a total depth that penetrated the Strawn and was a dry

1 hole in the Strawn.

2 There are other wells on here that have
3 penetrated the Strawn. The Shipp Field proper, most of it
4 at this time is in Section 4, which is the next section to
5 the west.

6 Q Mr. Hair, would you describe what you
7 have interpreted for the Strawn pod identified on Exhibit
8 Number Two?

9 A We feel that this is a typical algal
10 mound which is part of the reservoir in the Strawn here. We
11 encountered 215 feet of limestone in our Pennzoil Meyers.
12 We hope to encounter the same amount with the test well, the
13 No. 2 Waldron.

14 The nature of these pods is that they're
15 very steep-sided. You need to be right on the crest of
16 them. They have very good production but you have to be
17 very careful when you drill the well.

18 We have interpreted through subsurface
19 and seismic data that this -- the pod is oriented as I have
20 shown it here,

21 Q What is the disadvantage if you're re-
22 quired to move to a standard location either in the 40 acres
23 in the north part of the spacing unit or the 40 acres in the
24 south part?

25 A The amount of porosity encountered in the

1 Strawn is directly related to the thickness of the Strawn.
2 The thicker the Strawn section the more likely you are to
3 have porosity. We get off the axis of the pod and probably
4 lose porosity and encounter greater risk. Also we have a
5 little problem in this area with deviated wellbores. Almost
6 every well out here deviates to the north approximately 100
7 feet.

8 We've taken that into account somewhat.
9 We'll probably be about 100 feet north of where we have the
10 surface location spotted.

11 Q Let me show you Exhibit Number Three, Mr.
12 Hair, and ask you whether or not this Certificate of Mailing
13 to the offset operators includes all the offset operators
14 that would have an interest in the spacing units that offset
15 your proposed spacing unit?

16 A Yes, I believe it does. I think I see
17 all of them there.

18 MR. KELLAHIN: That's all the
19 questions I have of Mr. Hair.

20 We offer Pennzoil Exhibits One,
21 Two, and Three.

22 MR. STOGNER: Are there any ob-
23 jections?

24 If not, Exhibits One, Two, and
25 Three will be admitted into evidence.

1 MR. KELLAHIN: That concludes
2 my examination of Mr. Hair.

3 MR. STOGNER: Thank you, Mr.
4 Kellahin.

5

6 CROSS EXAMINATION

7 BY MR. STOGNER:

8 Q Mr. Hair, the two quarter sections -- I'm
9 sorry, the two quarter quarter sections which make up this
10 80-acre proration unit, are the working interest owners and
11 the royalty interest owners identical between both of them?

12 A Yes, they are. That is one contiguous
13 lease. We have out of that maybe 120 acres, we have 110.98
14 acres leased and the other lessee is Mobil and the only
15 other lessee. So it is contiguous, yes.

16 MR. STOGNER: I have no further
17 questions of Mr. Hair.

18 Are there any other questions
19 of this witness?

20 MR. KELLAHIN: No, sir.

21 MR. STOGNER: If not, he may be
22 excused.

23 Anything further in Case Number
24 8022 -- or 9022?

25 The case will be taken under
advisement.

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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 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 this portion 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. 9022, heard by me on 5 November 19 86.

Michael E. Stogner, Examiner
Oil Conservation Division