

CASE 7296: J. GREGORY MERRION AND
ROBERT L. BAYLESS FOR AMENDMENT OF POOL
RULES, CONTRACTION OF THE OTERO-GALLUP
POOL, AND EXTENSION OF THE DEVILS FORK-
GALLUP ASSOCIATED POOL, RIO ARRIBA
COUNTY, NEW MEXICO

Bayless

Case No.

7296

Application

Transcripts

Small Exhibits

ETC



BRUCE KING
GOVERNOR
LARRY KEHOE
SECRETARY

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

August 7, 1981

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

Mr. William F. Carr
Campbell, Byrd & Black
Attorneys at Law
Post Office Box 2208
Santa Fe, New Mexico

Re: CASE NO. 7296
ORDER NO. R-5353-G

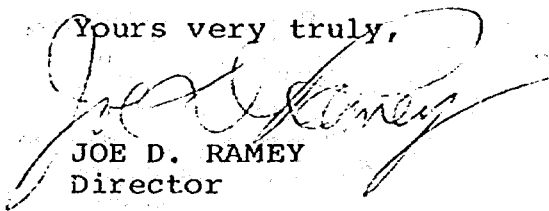
Applicant:

J. Gregory Merrion and
Robert L. Bayless

Dear Sir:

Enclosed herewith are two copies of the above-referenced
Division order recently entered in the subject case.

Yours very truly,


JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD x

Other _____

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 7296
Order No. R-5353-G
NOMENCLATURE

APPLICATION OF J. GREGORY MERRION
AND ROBERT L. BAYLESS FOR AMENDMENT
OF POOL RULES, CONTRACTION OF THE
OTERO-GALLUP POOL, AND EXTENSION
OF THE DEVILS FORK-GALLUP ASSOCIATED
POOL, RIO ARRIBA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on July 2, 1981,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 7th day of August, 1981, the Division
Director, having considered the testimony, the record, and the
recommendations of the Examiner, and being fully advised in the
premises,

FINDS:

(1) That due public notice having been given as required
by law, the Division has jurisdiction of this cause and the
subject matter thereof.

(2) That the applicants, J. Gregory Merrion and Robert L.
Bayless, seek the amendment of the Devils Fork-Gallup Associated
Pool Rules to provide for 160-acre spacing rather than 80 acres.

(3) That the applicants further seek the contraction of the
Otero-Gallup Pool by the deletion of the following acreage:
E/2 and NE/4 SW/4 of Section 2, Township 24 North, Range 6 West,
and the E/2 of Section 35, Township 25 North, Range 6 West,
and the concomitant extension of the Devils Fork-Gallup Associated
Pool to include the following acreage: In Township 24 North,
Range 6 West: All of Section 2; N/2 and SE/4 of Section 3; S/2
and NE/4 of Section 4; S/2 of Section 5; SE/4 of Section 6; and
N/2 of Section 11. In Township 25 North, Range 6 West: SE/4
of Section 33; S/2 of Section 34 and all of Section 35.

(4) That while the special pool rules for the Devils Fork-Gallup Associated Pool have provided for 80-acre spacing and proration units said pool has in fact been developed essentially on a 160-acre spacing pattern.

(5) That available pressure data and the results of "infill" drilling demonstrate that wells in the Devils Fork-Gallup Associated Pool are capable of efficiently and effectively draining 160 acres.

(6) That the proposed amendment of the Devils Fork-Gallup Associated Pool spacing rules should be approved.

(7) That the Devils Fork-Gallup Associated Pool and the Otero-Gallup Pool are joined by a common boundary.

(8) That the acreage proposed for deletion from the Otero-Gallup Pool in Finding No. (3) above may more properly be developed and produced as a part of the Devils Fork-Gallup Associated Pool.

(9) That the proposed pool contraction and pool extension described in Finding No. (3) above should be approved.

(10) That in addition, the Devils Fork-Gallup Associated Pool should be expanded to include therein the NE/4 of Section 10, Township 24 North, Range 6 West, NMPH, Rio Arriba County, New Mexico.

(11) That the proposed amendment of the Devils Fork-Gallup Associated Pool Rules and the pool contraction and pool extension described in the previous findings will not result in waste and will not violate correlative rights.

IT IS THEREFORE ORDERED:

(1) That Rule 2 of the Special Rules and Regulations for the Devils Fork-Gallup Associated Pool as contained in Division Order No. R-5353, as amended, is hereby amended to read in its entirety as follows:

"RULE 2. (a) a standard oil proration unit shall be 160 acres. A standard gas proration unit shall be 320 acres."

(2) That the Otero-Gallup Pool as previously defined and described in Rio Arriba County, New Mexico, is hereby contracted by the deletion of the following acreage: E/2 and NE/4 SW/4

-3-

Case No. 7296

Order No. R-5353-G

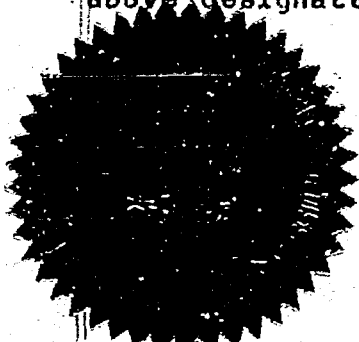
of Section 2, Township 24 North, Range 6 West, NMPM, and the E/2 of Section 35, Township 25 North, Range 6 West, NMPM.

(3) That the Devile Fork-Gallup Associated Pool as previously defined and described in Rio Arriba County, New Mexico, is hereby extended to include the following acreage: All of Section 2; N/2 and SE/4 of Section 3; S/2 and NE/4 of Section 4; S/2 of Section 5; SE/4 of Section 6; NE/4 of Section 10; and the N/2 of Section 11, all in Township 24 North, Range 6 West, NMPM, and the SE/4 of Section 33; S/2 of Section 34; and all of Section 35, all in Township 25 North, Range 6 West, NMPM.

(4) That the effective date of this order and the pool rule amendment, pool contraction and pool extension contained herein shall be August 1, 1981.

(5) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Joe D. Ramey
JOE D. RAMEY
Director

fd/

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
2 July 1981

EXAMINER HEARING

IN THE MATTER OF:

Application of J. Gregory Merrion and
Robert L. Bayless for amendment of pool
rules, contraction of the Otero-Gallup
Pool, and extension of the Devils Fork-
Gallup Associated Pool, Rio Arriba
County, New Mexico. CASE 7296

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division:	Ernest L. Padilla, Esq. Legal Counsel to the Division State Land Office Bldg. Santa Fe, New Mexico 87501
For the Applicant:	William F. Carr, Esq. CAMPBELL, BYRD, & BLACK P.A. Jefferson Place Santa Fe, New Mexico 87501

1

2

2

I N D E X

3

4

J. GREGORY MERRION

5

Direct Examination by Mr. Carr

3

6

Questions by Mr. Chavez

19

7

Redirect Examination by Mr. Carr

20

8

Cross Examination by Mr. Stamets

21

9

10

11

12

13

E X H I B I T S

14

15

Applicant Exhibit One, Plat

5

16

Applicant Exhibit Two, Logs

7

17

Applicant Exhibit Three, Horner Plot

9

18

Applicant Exhibit Four, Resume

10

19

Applicant Exhibit Five, Horner Plot

11

20

Applicant Exhibit Six, Resume

12

21

Applicant Exhibit Seven, Document

14

22

Applicant Exhibit Eight, Well Cost Estimate

15

23

Applicant Exhibit Nine, Assessment

16

24

25

MR. STAMETS: We'll call next Case 7296.

MR. PEARCE: Application of J. Gregory Merrion and Robert L. Bayless for amendment of pool rules, contraction of the Otero-Gallup Pool, and extension of the Devils Fork-Gallup Associated Pool, Rio Arriba County, New Mexico.

MR. CARR: May it please the Examiner my name is William F. Carr, with the law firm Campbell, Byrd, & Black, P. A., Santa Fe, New Mexico, appearing on behalf of the applicant.

I have one witness who needs to be sworn.

(Witness sworn.)

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

DIRECT EXAMINATION

BY MR. CARR:

Q Will you state your full name and place of residence?

A J. Gregory Merrion, Farmington, New

1
2 Mexico.

3 Q Mr. Merrion, by whom are you employed
4 and in what capacity?

5 A I'm self employed as an independent oil
6 producer.

7 Q Have you previously testified before this
8 Commission and had your credentials as an engineer accepted
9 and made a matter of record?

10 A Yes, I have.

11 Q Are you familiar with the application
12 that's been filed in this case?

13 A Yes, I am.

14 Q Are you familiar with the subject acreage?

15 A Yes, I am.

16 MR. CARR: Are the witness' qualifica-
17 tions acceptable?

18 MR. STAMETS: They are.

19 Q Mr. Merrion, will you briefly state
20 what you seek with this application?

21 A I seek to obtain 160-acre spacing for
22 the Gallup formation in the area between the Otero-Gallup and
23 the Devils Fork-Gallup Field, and an extension of the limits
24 of the Devils Fork-Gallup Field and a contraction of the limits
25 of the Otero-Gallup Field.

Q Have you prepared certain exhibits for introduction in this case?

A Yes, I have.

Q Will you please refer to what has been marked for identification as Merrion and Bayless Exhibit Number ONE and review the information contained thereon for Mr. Stamets?

A Yes. Exhibit Number One is a map of the area comprising the Devils Fork-Gallup Pool in Ric Arriba County, New Mexico, and the Otero-Gallup Field in that county, and the surrounding acreage.

In the lower lefthand part of the map the Devils Fork-Gallup Field limits as they currently exist are outlined with a zit, which -- the legend for which appears on the lefthand margin.

The Otero-Gallup Field with field limits as they presently exist is outlined in the righthand portion of the map. The zit for those limits appears in the lefthand margin.

The proposed extension of the Devils Fork Field and contraction of the Otero Field is represented by a red line which would result in the deletion of the east half of Section 35, 25, 6; the east half of 2, 24, 6; and the northeast of the southwest of 2, 24, 6, from Otero and inclusion in Devils Fork.

1
2 The Gallup wells are outlined in circles,
3 with large circles as per the legend in the left, and those
4 that are newly drilled have a double line with the number of
5 the well.

6 In other words, we have drilled eight
7 new Gallup wells in the north to northeast part of Devils Fork-
8 Gallup, and those are all -- this includes one infill well,
9 the Canyon Largo 300 in the southeast quarter of Section 8, 24,
10 6.

11 Also, colored in blue is State land.
12 Colored in yellow is fee land, and on the west portion of the
13 map, the uncolored land is for the most part Federal.

14 East -- well, in Township 5 West every-
15 thing is Jicarilla Apache Indian acreage.

16 My area of interest is the -- essentially
17 the south half or southeast quadrant of Township 25 North and
18 the northeast quadrant of 24 North and 6 West, and there are
19 eighteen locations where there is a mixture of two Federal
20 leases or a combination of Federal and fee or Federal and State
21 land with the result that development on current field rules,
22 and I might backtrack here, the field rules in Devils Fork-
23 Gallup call for 80-acre spacing for oil, 320 for gas. The
24 field rules in Otero-Gallup call for 40-acre spacing for oil.

25 The de facto spacing in Devils Fork has

1
2 been 160 acres for oil. The de facto spacing in Otero has
3 varied anywhere from 80-acre spacing to one well to a section.
4 And this problem area, in order to develop on 160-acre spacing,
5 which is what I think is desireable and would result in effi-
6 cient drainage, it would be necessary to communitize 18 dif-
7 ferent locations there with the various lands.

8 Q Would you briefly summarize why it is
9 you are seeking the change which you're proposing in this
10 application?

11 A I feel that one well will very effectively
12 drain 160 acres and the economics in order to develop the
13 entire area where oil is productive in the Gallup, I think it
14 would be desireable to have 160 acres available for drainage
15 because the leases are small and different type leases, State,
16 fee, and Federal, it is necessary to have 160-acre spacing in
17 order to communitize.

18 Q Mr. Merrion, are there any leases in
19 the area of interest which are in danger of expiring in the
20 immediate future?

21 A None that I know of. Everything is
22 held by production.

23 Q Would you now refer to what has been
24 marked for identification as your exhibit Number Two and re-
25 view this for Mr. Stamets?

1
2 A. Exhibit Two is a presentation of typical
3 logs, one in the Otero-Gallup Field and one in the Devils Fork-
4 Gallup Field on the right, J. Gregory Merrion and Associates
5 NCR State No. 3.

6 The purpose of the exhibit is to refresh
7 your memory of those at the hearing as to what we are producing
8 from in the two different fields.

9 The Otero-Gallup Field produces from the
10 Upper Gallup series of silty sands with low porosity and ap-
11 proximately six percent. They are fractured and the typical
12 completion was to perforate the intervals and sand or frac.
13 The particular well in question had an IP of 239 barrels for
14 a gas/oil ratio of 2506.

15 And the Devils Fork Field, the original
16 completions in almost every case was in the Lower Gallup only.
17 The sand generally referred to as the Merry sand (sic) and
18 marked on the log as being the perforated interval from 5574
19 to 95. The sand is generally higher porosity than Otero,
20 running about 13 percent and having about 10 millidarcies on
21 the average permeability.

22 Some wells in Devils Fork have been sub-
23 sequently completed in the Upper Gallup but to my knowledge
24 there hasn't been anything of commercial quality yet shown
25 in Devils Fork.

Q Will you now refer to your Exhibit Number Three and review this for Mr. Stamets?

A Exhibit Number Three is a pressure build-up presentation plot of the Horner plot of pressure build-up in the Upper Gallup and in the Lower Gallup in the Canyon Largo No. 300 Well, which was the infill well which was drilled and completed this year on March 15th, some nineteen years after the development of the four offset wells.

The well was flowed until all load oil was recovered and then about a day and a half to recover an additional 22 barrels of new oil and then was switched to the permanent tank battery from the frac tanks and the well died before any more production was had.

We subsequently pulled the tubing and ran a packer in the hole, swabbed the well down and set the packer between the Upper and lower perforations and ran a pressure build-up for about a month. Let's see, well, from March 16th to April -- to May 14th, almost two months. The resulting pressure build-up is shown here with the Upper Gallup still building up to an indicated pressure of 1660 pounds. The Lower Gallup, or the Merry zone, which had been produced in the four offset wells, had a stable pressure of 581 pounds, which was 1435 pounds less than the virgin pressure in the reservoir.

Q Will you now review your Exhibit Number Four?

A. Exhibit Number Four is a resume of the pressure and production data on our infill Canyon Largo 300 Well.

Canyon Largo Unit 122, 125, 129, and 130 were drilled in 1962. Virgin pressure was 2016 psi, as measured in the Redfern and Hurd Largo Spur No. 1 discovery well. Average initial potential of offsets was 126 barrels of oil per day and 108 Mcf of gas per day. Completion was in Lower Gallup only.

Canyon Largo 300, which was drilled and completed on March 15th, 1981, had a bottom hole pressure in the Upper Gallup of 1660; the Lower Gallup of 581. The initial rate in the Upper Gallup, it was flowed while a packer was still in the hole for seven days and at the end of the 7-day period was making 11 barrels of oil per day and 65 Mcf of gas per day.

The production, initial rate from the Lower Gallup was obtained by a short term swab test. It was incapable of flowing by itself. The swab test indicated 11 barrels of oil per day and an unknown quantity of gas.

The packer was then pulled and tubing was run back in and rods and a pump were installed and after

two weeks pumping the well had stabilized commingled production from the Upper and Lower Gallup at 13 barrels of oil per day and 97 Mcf of gas per day. Based upon the individual tests of the two zones and an intermingled test on a long term basis, we estimate that the probable split is Upper Gallup 9 barrels of oil per day and 53 Mcf; Lower Gallup 4 barrels of oil per day and 49 Mcf.

We conclude from these data that the Lower Gallup has been essentially depleted by 160-acre development and the Upper Gallup is uncommercial.

Q. Will you now review your Exhibit Five?

A. Exhibit Five is a Horner plot of pressure build up data on the Canyon Largo 298 Well, which is located 790 feet from the north and east lines of Section 3, Township 24 North, Range 6 West.

This well was completed in the Upper Gallup only, not having a good looking development in the Lower Gallup.

We -- we recovered our first new oil in February of 1981, and after producing 538 barrels of new oil, shut in the well on March 6th of 1981 after stabilizing the rate at 65 barrels of oil per day.

Pressures were measured by Sonalog and dead weight tester, since the well had rods and a pump in it

1
2 and the resulting data are plotted here on a Horner plot, which
3 indicates that the pressure at the boundary of drainage is
4 1512 pounds. This is some 608 pounds less than the virgin
5 pressure in the Upper Gallup formation.

6 Q. Will you now review Exhibit Six?

7 A. Exhibit Six summarizes the Upper Gallup
8 pressure data and its significance.

9 The virgin pressure in the Upper Gallup
10 in this area, as measured in the Skelly Oil Company Jicarilla
11 "B" 10 on a drill stem test in June of 1958, were 2120 pounds
12 per square inch.

13 The Merrion and Bayless Canyon Largo 298
14 completed in 1981 had an initial pressure of 1512 pounds,
15 which is 608 pounds less than the virgin pressure of the
16 reservoir.

17 The nearby wells which have been com-
18 pleted from the Gallup were the Farming "E" 2, located 4200
19 feet east of the subject well. The Farming "E" 3, located
20 3921 feet to the southeast of the subject well, and the Merrion
21 and Bayless Canyon Largo 185, located 4302 feet to the south-
22 west of the subject well.

23 Assuming the production from one of
24 these wells caused the 608 pounds per square inch drawdown,
25 the -- and the distance between the two wells represented a

radius of drainage, then the area of drainage in the case of the Farming "E" 2 would have been 1272 acres; 1109 acres for the Farming "E" 3; and 1335 acres for the Canyon Largo 185.

The Getty Oil Company drilled the Farming "E" 1 "E" in the northeast southeast of Section 2, 24, 6, and we do not this spotted on our map but it is located in the northeast southeast of Section 2, just north of that central gas well. The completion date was December of 1980. The initial pressure was measured at 1531 pounds per square inch after 228 hours shut-in. I do not have the data of production prior to shut-in but this data was supplied to me from Getty Oil Company.

The wells which have been producing from the -- the nearest wells in the reservoir which had been producing from the Gallup were the Farming "E" 3, 2600 feet north -- scratch that -- 2600 feet northwest, or I guess due west of subject well, and the Farming "E" 2, 3216 feet north by northwest of the subject well.

Again assuming that these distances between wells represented a radius of drainage that caused the pressure drawdown from 2120 to 1531 pounds, then the area of drainage represented here would be 488 acres in the case of the Farming "E" 3; 746 acres in the case of the Farming "E" 2.

1

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

Our conclusion is that substantial drainage has occurred over an area of at least 1109 acres around a producing well in the Upper Gallup.

Q. Mr. Merrion, will you now refer to your Exhibit Number Seven and explain to Mr. Stamets what it is and what it shows?

A. Exhibit Number Seven is a presentation of an oil recovery factor for the Otero-Gallup Field for different well spacings. Different -- the field is separated down into blocks of wells and the limits were described by drawing a limit around those wells which was approximately a quarter of a mile from the well and drawn as tightly as possible. The remaining reserves were plotted by decline curve and estimated and added to the cumulative production so that we got the total production for the block.

In block one we found 653,000 barrels, which included 73,500 remaining reserves. This was from ten wells on a total of 1760 acres, so that from wells spaced on 160 -- 176 acres per well, the recovery factor is 371 barrels per acre.

On block two, which is the dense -- most densely developed block in the field, there are 17 wells on 2080 acres, and the recovery factor is 335 barrels per acre on 122-acre spacing.

1
2 Similarly, block three, we have 257
3 barrels per acre from 11 wells on 153-acre spacing.

4 Block four we have 270 barrels per acre
5 recovery from 7 wells spaced on 297-acre spacing.

6 Block five and six seem to be uncom-
7 mercial blocks with 47 barrels per acre spacing and 92 -- 47
8 barrel per acre recovery and 92 barrel per acre recovery and
9 at the south end we have again a larger recovery which under
10 certain circumstances would represent a commercial recovery
11 of 227 barrels per acre from 5 wells on 192-acre spacing.

12 The purpose of the exhibit is to compare
13 the recovery per acre with different well spacing and it ap-
14 pears as though the recovery per acre in the northern tier
15 of blocks, which are essentially on trend, is very close to-
16 gether with a gradual improvement from east to west and there
17 is a definite indication, statistically at least, that 297
18 acres we recover -- with 297 acres per well we recover almost
19 as much as the recovery for 122 acres per well. Wide drainage
20 is indicated and that's the purpose of the exhibit.

21 Q. Will you now refer to your Exhibit Number
22 Eight?

23 A. Exhibit Number Eight is a well cost
24 estimate for a Gallup well drilled in the Devils Fork-Gallup
25 area. These are current costs which we are experiencing and

1
2 the total well cost for a well complete with pumping unit,
3 tank battery, is \$368,000.

4 Q And will you now review Exhibit Number
5 Nine?

6 A Exhibit Number Nine is assessment of
7 the economics of development in the Otero-Devils Fork area.

8 If you'll refer back to Exhibit Number
9 Seven, we have various per acre recovery factors grading down
10 to 47 and 92 barrels per acre, which probably would be un-
11 commercial on any reasonable spacing, and 227 barrels per
12 acre on the south end, which probably could be economically
13 developed under the proper spacing rules.

14 In order to encourage development of
15 areas such as this we've selected 200 barrels per acre as a
16 recovery factor, which should be used to assess economics of
17 development. So with a well cost of \$368,000 we assume an
18 overriding royalty of 5 percent and with a price of oil of
19 \$35.00, subtracting royalty, production tax, and windfall
20 profits tax, leaves \$22.06 net to the operator per barrel.

21 These wells produce gas and have aver-
22 aged about 6 Mcf per barrel recovery. It is a rich gas
23 running about 1200 BTUs, and based on the new on shore pro-
24 duction price of \$2.46 base price, the net to operator after
25 tax, corrected for BTUs, is \$2.48.

1

2

Operating cost runs \$1250 per month.

3

The future recovery on 80-acre spacing is 591,000. Over a

4

21 year period the operating expenses would be \$315,000,

5

leaving a future net of \$276,000, which would result in a

6

loss to the operator of \$91,960 over a 21 year period on 80

7

acre spacing.

8

The same acreage developed on 160 acre

9

spacing would result in a future revenue of \$1,182,000 and

10

operating costs of \$315,000. Future net of \$867,080, which

11

is approximately two and a quarter times the cost of drilling,

12

which is about the minimum most operators look for.

13

Q.

Have you reviewed this application with

14

all operators in the area who will be affected?

15

A.

Not all of them, no. I've discussed

16

it with many of them on the phone.

17

Q.

Have you discussed this application

18

with Getty?

19

A.

I have.

20

Q.

Have you reviewed this with the USGS?

21

A.

I have not personally but one of my

22

associates has,

23

Q.

And has this application been reviewed

24

with the Oil Conservation Division Aztec office?

25

A.

Yes, it has.

Q In your opinion will granting this application avoid the drilling of unnecessary wells?

A Yes.

Q Will it reduce the risk that would result from drilling an excessive number of wells?

A Yes.

Q Are all wells in the Devils Fork-Gallup Associated Pool so spaced as to conform with the proposed changes in the rules and in the pool boundaries?

A I believe they are, yes.

Q In your opinion will granting the application be in the best interest of conservation, the prevention of waste, and the protection of correlative rights?

A Yes, it will.

Q Were Exhibits One through Nine prepared by you?

A Yes, they were.

MR. CARR: At this time, Mr. Stamets, we would offer Merrion and Bayless Exhibits One through Nine.

MR. STAMETS: These exhibits will be admitted.

MR. CARR: There's one other thing I'd like to call to your attention, Mr. Stamets. I failed to include in the application one 160-acre tract, which is the

1
2 northeast quarter of Section 10, Township 24 North, Range 6
3 West. This 160-acre tract, if the application is granted, will
4 be completely surrounded by the Devils Fork Pool.

5 We would request, if it's possible, and
6 this application is granted, to have the Commission extend the
7 pool to include that 160-acre tract in a regular nomenclature
8 case.

9 MR. STAMETS: Since that's an inside
10 tract, I think perhaps we can even do it in this case.

11 MR. CARR: All right.

12 MR. STAMETS: I don't see that as a
13 major problem.

14 MR. CARR: We have nothing further to
15 present on direct.

16 MR. STAMETS: Are there questions of
17 this witness? Mr. Chavez?

18

19 QUESTIONS BY MR. CHAVEZ:

20 Q Mr. Merrion, in your application you
21 ask to include certain acreage in Township 25 North, 6 West,
22 that has not been yet proved by drilling in the Devils Fork
23 Pool. Would you be adverse to dropping that or not including
24 that acreage in an order that would come out and saving -- or
25 waiting until the wells have been drilled and then including

1

2 it -- the Commission including that acreage in a nomenclature
3 case at some other date?

4

A. I think that our proposal here was de-
5 signed in order to try to make sure that the area of interest
6 was included under these proposed rules, and for that reason
7 we had extended the Devils Fork limits up as far as we have
8 to the north end of Section 35.

9

So anything that would accomplish that
10 would be satisfactory with us, I'm sure.

11

Q. And just a point of clarity, you're
12 just changing the spacing for oil wells in the associated pool
13 from 80 to 160, isn't that correct, and not necessarily the
14 spacing of the gas wells in the associated pool?

15

A. We did not propose to make any change
16 in the gas well spacing.

17

MR. CHAVEZ: That's all I have. Thank
18 you.

19

MR. STAMETS: Are there other questions
20 of the witness? Mr. Carr?

21

22

REDIRECT EXAMINATION

23

BY MR. CARR:

24

Q. Mr. Merrion, do you have plans for
25 developing Section 35, Township 25 North, Range 6 West?

1

2

A. Yes, I do.

3

Q And if you drill a well in that section,

4

it would be your desire that that be considered an extension

5

of the Devils Fork, not the Otero-Gallup, is that correct?

6

A. That's correct.

7

MR. CARR: I have nothing further.

8

9

CROSS EXAMINATION

10

BY MR. STAMETS:

11

Q Mr. Merrion, when you prepared Exhibit

12

Number Seven did you make any calculations as to what percentage

13

recovery you were getting on these wells?

14

A. Percent of oil in place?

15

Q. Right.

16

A. I have -- no, I didn't, I don't -- I

17

didn't make any volumetric estimate of what we had in place

18

and I don't have any material balances, since I don't operate

19

in that field, don't have any material balances to work with.

20

MR. STAMETS: Any other questions of

21

the witness? He may be excused.

22

Anything further in this case?

23

MR. CARR: Mr. Stamets, I believe there

24

are several letters concerning the application and I would

25

like those noted for the purpose of the record.

1

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

MR. STAMETS: As I recall, they're all in favor. We might just mention their names for the record.

MR. PEARCE: Marguerite Leiberman, Kimbell Oil Company, W. A. Emrick for Albuquerque National Bank, Joseph Grave, John M. Warren, President of Warren Incorporated, and I believe that is all, Mr. Examiner.

All of those named individuals have submitted letters or telegrams concurring in the application.

MR. SALAZAR: Mr. Examiner?

MR. STAMETS: Yes.

MR. SALAZAR: May I make a statement?

MR. STAMETS: You certainly may.

MR. SALAZAR: I represent myself. My name is Victor Salazar from Albuquerque, New Mexico.

I also represent Oil Company, and the associates that are with me, who have sent letters and I didn't send a letter so I'm replying with my approval in person.

We are the working interest owners and lease owners of all of the Federal lands in approximately 3100 acres lying in Township 25 North, 6 West. Two of the sections and two of the leases, Section 34, one of the Federal leases is included in the applicant's application. Also, all of Section 35 is included in that application.

1
2 I just wanted to state that I want to
3 join or concur for myself and my associates, who own all of
4 the rights to the Gallup formation in these Federal leases
5 that I've just mentioned, with Mr. Bayless and Mr. Merrion's
6 application that is pending before you.

7 We have only drilled one Gallup well
8 in all these leases and that is in the northwest quarter of
9 Section 35. That was drilled approximately 22 years ago and
10 we felt all the time that it was draining more than 80 acres
11 possibly 160 acres, and we held back from any further devel-
12 opment of the Gallup formation in these leases.

13 Now these leases have been drilled for
14 over 22 years. We have over, I think, 20 wells, mostly oil
15 with the exception of this oil well -- gas well, in the Pic-
16 tured Cliffs, Chacra, or the Dakota formation. They certainly
17 are held by production.

18 And I want to state to you gentlemen,
19 to Mr. Examiner, that we have reached an accord and everybody
20 has concurred with it, for the orderly development of this
21 lease and the entire two leases as to Federal lands, in an
22 orderly fashion, to drill immediately the first five wells
23 that would be on these leases if you grant this application,
24 and continue by step laps every 120 days one well on one lease
25 and every 180 days on the other lease. So that means that

1
2 we'll be drilling immediately 5 wells, and a minimum of 5 wells
3 a year for the next three years. And certainly I believe
4 we'll do it faster than that, but that is the minimum that
5 will get support in our contract, and I thought perhaps that
6 might be of interest to you.

7 Thank you.

8 MR. STAMETS: Thank you.

9 Anything further in this case?

10 The case will be taken under advisement.

11
12 (Hearing concluded.)
13
14
15
16
17
18
19
20
21
22
23
24
25

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREPY CERTIFY that
the foregoing Transcript of Hearing before the Oil Conserva-
tion Division 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

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 7296,
heard by me on 8-2-1981:
Richard L. Turner, Examiner
Oil Conservation Division

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
2 July 1981

EXAMINER HEARING

IN THE MATTER OF:

Application of J. Gregory Merriam and
Robert L. Bayless for amendment of pool
rules, contraction of the Otero-Gallup
Pool, and extension of the Devils Fork
Gallup Associated Pool, Rio Arriba
County, New Mexico. CASE
7296

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division:	Ernest L. Padilla, Esq. Legal Counsel to the Division State Land Office Bldg. Santa Fe, New Mexico 87501
For the Applicant	William F. Carr, Esq. CAMPBELL, BYRD, & BLACK P.A. Jefferson Place Santa Fe, New Mexico 87501

I N D E X

J. GREGORY MERPION

Direct Examination by Mr. Carr	3
Questions by Mr. Chavez	19
Redirect Examination by Mr. Carr	20
Cross Examination by Mr. Stamets	21

E X H I B I T S

Applicant Exhibit One, Plat	5
Applicant Exhibit Two, Logs	7
Applicant Exhibit Three, Horner Plot	9
Applicant Exhibit Four, Resume	10
Applicant Exhibit Five, Horner Plot	11
Applicant Exhibit Six, Resume	12
Applicant Exhibit Seven, Document	14
Applicant Exhibit Eight, Well Cost Estimate	15
Applicant Exhibit Nine, Assessment	16

MR. STAMETS: We'll call next Case 7296.

MR. PEARCE Application of J. Gregory
Merrion and Robert L. Bayless for amendment of pool rules,
contraction of the Otero-Gallup Pool, and extension of the
Devils Fork-Gallup Associated Pool, Rio Arriba County, New
Mexico.

MR. CARR: May it please the Examiner
my name is William F. Carr, with the law firm Campbell, Byrd,
& Black, P. A., Santa Fe, New Mexico, appearing on behalf of
the applicant.

I have one witness who needs to be
sworn.

(Witness sworn.)

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

DIRECT EXAMINATION

BY MR. CARR:

Q Will you state your full name and place
of residence?

A J. Gregory Merrion, Farmington, New

1
2 Mexico.

3 Q Mr. Merrion, by whom are you employed
4 and in what capacity?

5 A I'm self employed as an independent oil
6 producer.

7 Q Have you previously testified before this
8 Commission and had your credentials as an engineer accepted
9 and made a matter of record?

10 A Yes, I have.

11 Q Are you familiar with the application
12 that's been filed in this case?

13 A Yes, I am.

14 Q Are you familiar with the subject acreage?

15 A Yes, I am.

16 MR. CARR: Are the witness' qualifica-
17 tions acceptable?

18 MR. STAMETS: They are.

19 Q Mr. Merrion, will you briefly state
20 what you seek with this application?

21 A I seek to obtain 160-acre spacing for
22 the Gallup formation in the area between the Otero-Gallup and
23 the Devils Fork-Gallup Field, and an extension of the limits
24 of the Devils Fork-Gallup Field and a contraction of the limits
25 of the Otero-Gallup Field.

1

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

Q Have you prepared certain exhibits for introduction in this case?

A Yes, I have.

Q Will you please refer to what has been marked for identification as Merrion and Bayless Exhibit Number ONE and review the information contained thereon for Mr. Stamets?

A Yes. Exhibit Number One is a map of the area comprising the Devils Fork-Gallup Pool in Rio Arriba County, New Mexico, and the Otero-Gallup Field in that county, and the surrounding acreage.

In the lower lefthand part of the map the Devils Fork-Gallup Field limits as they currently exist are outlined with a zit, which -- the legend for which appears on the lefthand margin.

The Otero-Gallup Field with field limits as they presently exist is outlined in the righthand portion of the map. The zit for those limits appears in the lefthand margin.

The proposed extension of the Devils Fork Field and contraction of the Otero Field is represented by a red line which would result in the deletion of the east half of Section 35, 25, 6; the east half of 2, 24, 6; and the northeast of the southwest of 2, 24, 6, from Otero and inclusion in Devils Fork.

1
2 The Gallup wells are outlined in circles,
3 with large circles as per the legend in the left, and those
4 that are newly drilled have a double line with the number of
5 the well.

6 In other words, we have drilled eight
7 new Gallup wells in the north to northeast part of Devils Fork-
8 Gallup, and those are all -- this includes one infill well,
9 the Canyon Largo 300 in the southeast quarter of Section 8, 24,
10 6.

11 Also, colored in blue is State land.
12 Colored in yellow is fee land, and on the west portion of the
13 map, the uncolored land is for the most part Federal.

14 East -- well, in Township 5 West every-
15 thing is Jicarilla Apache Indian acreage.

16 My area of interest is the -- essentially
17 the south half or southeast quadrant of Township 25 North and
18 the northeast quadrant of 24 North and 6 West, and there are
19 eighteen locations where there is a mixture of two Federal
20 leases or a combination of Federal and fee or Federal and State
21 land with the result that development on current field rules,
22 and I might backtrack here, the field rules in Devils Fork-
23 Gallup call for 80-acre spacing for oil 320 for gas. The
24 field rules in Otero Gallup call for 40-acre spacing for oil.

25 The de facto spacing in Devils Fork has

1
2 been 160 acres for oil. The de facto spacing in Otero has
3 varied anywhere from 80-acre spacing to one well to a section.
4 And this problem area, in order to develop on 160-acre spacing,
5 which is what I think is desirable and would result in effi-
6 cient drainage, it would be necessary to communitize 18 dif-
7 ferent locations there with the various lands.

8 Q Would you briefly summarize why it is
9 you are seeking the change which you're proposing in this
10 application?

11 A I feel that one well will very effectively
12 drain 160 acres and the economics in order to develop the
13 entire area where oil is productive in the Gallup, I think it
14 would be desirable to have 160 acres available for drainage
15 because the leases are small and different type leases. State,
16 fee, and Federal, it is necessary to have 160-acre spacing in
17 order to communitize.

18 Q Mr. Merrion, are there any leases in
19 the area of interest which are in danger of expiring in the
20 immediate future?

21 A None that I know of. Everything is
22 held by production.

23 Q Would you now refer to what has been
24 marked for identification as your exhibit Number Two and re-
25 view this for Mr. Stamets?

1
2 A. Exhibit Two is a presentation of typical
3 logs, one in the Otero-Gallup Field and one in the Devils Fork-
4 Gallup Field on the right, J. Gregory Merrion and Associates
5 NCR State No. 3.

6 The purpose of the exhibit is to refresh
7 your memory of those at the hearing as to what we are producing
8 from in the two different fields.

9 The Otero-Gallup Field produces from the
10 Upper Gallup series of silty sands with low porosity and ap-
11 proximately six percent. They are fractured and the typical
12 completion was to perforate the intervals and sand or frac.
13 The particular well in question had an IP of 239 barrels for
14 a gas/oil ratio of 2506.

15 And the Devils Fork Field, the original
16 completions in almost every case was in the Lower Gallup only.
17 The sand generally referred to as the Merry sand (sic) and
18 marked on the log as being the perforated interval from 5574
19 to 95. The sand is generally higher porosity than Otero,
20 running about 13 percent and having about 10 millidarcies on
21 the average permeability.

22 Some wells in Devils Fork have been sub-
23 sequently completed in the Upper Gallup but to my knowledge
24 there hasn't been anything of commercial quality yet shown
25 in Devils Fork.

1
2 Q Will you now refer to your Exhibit Number
3 Three and review this for Mr Stamets?

4 A Exhibit Number Three is a pressure
5 build-up presentation plot of the Horner plot of pressure
6 build-up in the Upper Gallup and in the Lower Gallup in the
7 Canyon Largo No. 300 Well which was the infill well which was
8 drilled and completed this year on March 15th, some nineteen
9 years after the development of the four offset wells.

10 The well was flowed until all load oil
11 was recovered and then about a day and a half to recover an
12 additional 22 barrels of new oil and then was switched to the
13 permanent tank battery from the frac tanks and the well died
14 before any more production was had.

15 We subsequently pulled the tubing and
16 ran a packer in the hole, swabbed the well down and set the
17 packer between the Upper and lower perforations and ran a
18 pressure build-up for about a month. Let's see, well, from
19 March 16th to April -- to May 14th, almost two months. The
20 resulting pressure build-up is shown here with the Upper
21 Gallup still building up to an indicated pressure of 1660
22 pounds. The Lower Gallup, or the Merry zone, which had been
23 produced in the four offset wells, had a stable pressure of
24 581 pounds, which was 1435 pounds less than the virgin pressure
25 in the reservoir.

Q Will you now review your Exhibit Number Four?

A Exhibit Number Four is a resume of the pressure and production data on our infill Canyon Largo 300 Well.

Canyon Largo Unit 122, 125, 129, and 130 were drilled in 1962. Virgin pressure was 2016 psi, as measured in the Redfern and Hurd Largo Spur No. 1 discovery well. Average initial potential of offsets was 126 barrels of oil per day and 108 Mcf of gas per day. Completion was in Lower Gallup only.

Canyon Largo 300, which was drilled and completed on March 15th, 1981, had a bottom hole pressure in the Upper Gallup of 1660; the Lower Gallup of 581. The initial rate in the Upper Gallup, it was flowed while a packer was still in the hole for seven days and at the end of the 7-day period was making 11 barrels of oil per day and 65 Mcf of gas per day.

The production, initial rate from the Lower Gallup was obtained by a short term swab test. It was incapable of flowing by itself. The swab test indicated 11 barrels of oil per day and an unknown quantity of gas.

The packer was then pulled and tubing was run back in and rods and a pump were installed and after

two weeks pumping the well had stabilized commingled production from the Upper and Lower Gallup at 13 barrels of oil per day and 97 Mcf of gas per day. Based upon the individual tests of the two zones and an intermingled test on a long term basis we estimate that the probable split is Upper Gallup 9 barrels of oil per day and 53 Mcf; Lower Gallup 4 barrels of oil per day and 49 Mcf.

We conclude from these data that the Lower Gallup has been essentially depleted by 160-acre development and the Upper Gallup is uncommercial.

Q Will you now review your Exhibit Five?

A Exhibit Five is a Horner plot of pressure build up data on the Canyon Largo 298 Well, which is located 790 feet from the north and east lines of Section 3, Township 24 North, Range 6 West.

This well was completed in the Upper Gallup only, not having a good looking development in the Lower Gallup.

We -- we recovered our first new oil in February of 1981, and after producing 538 barrels of new oil, shut in the well on March 6th of 1981 after stabilizing the rate at 65 barrels of oil per day.

Pressures were measured by Sonalog and dead weight tester, since the well had rods and a pump in it

1
2 and the resulting data are plotted here on a Horner plot, which
3 indicates that the pressure at the boundary of drainage is
4 1512 pounds. This is some 608 pounds less than the virgin
5 pressure in the Upper Gallup formation.

6 Q Will you now review Exhibit Six?

7 A Exhibit Six summarizes the Upper Gallup
8 pressure data and its significance.

9 The virgin pressure in the Upper Gallup
10 in this area, as measured in the Skelly Oil Company Jicarilla
11 "B" 10 on a drill stem test in June of 1958, were 2120 pounds
12 per square inch.

13 The Merrion and Bayless Canyon Largo 298
14 completed in 1981 had an initial pressure of 1512 pounds,
15 which is 608 pounds less than the virgin pressure of the
16 reservoir.

17 The nearby wells which have been com-
18 pleted from the Gallup were the Farming "E" 2, located 4200
19 feet east of the subject well. The Farming "E" 3, located
20 3921 feet to the southeast of the subject well, and the Merrion
21 and Bayless Canyon Largo 185, located 4302 feet to the south-
22 west of the subject well.

23 Assuming the production from one of
24 these wells caused the 608 pounds per square inch drawdown,
25 the -- and the distance between the two wells represented a

ra

1
2 radius of drainage, then the area of drainage in the case of
3 the Farming "E" 2 would have been 1272 acres; 1109 acres for
4 the Farming "E" 3; and 1335 acres for the Canyon Largo 185.

5 The Getty Oil Company drilled the Farming
6 "E" 1 "E" in the northeast southeast of Section 2, 24, 6, and
7 we do not this spotted on our map but it is located in the
8 northeast southeast of Section 2, just north of that central
9 gas well. The completion date was December of 1980. The
10 initial pressure was measured at 1531 pounds per square inch
11 after 228 hours shut-in. I do not have the data of production
12 prior to shut-in but this data was supplied to me from Getty
13 Oil Company.

14 The wells which have been producing from
15 the -- the nearest wells in the reservoir which had been
16 producing from the Gallup were the Farming "E" 3, 2600 feet
17 north -- scratch that -- 2600 feet northwest, or I guess due
18 west of subject well, and the Farming "E" 2, 3216 feet north
19 by northwest of the subject well.

20 Again assuming that these distances
21 between wells represented a radius of drainage that caused
22 the pressure drawdown from 2120 to 1531 pounds, then the area
23 of drainage represented here would be 488 acres in the case
24 of the Farming "E" 3; 746 acres in the case of the Farming
25 "E" 2.

1
2 Our conclusion is that substantial
3 drainage has occurred over an area of at least 1109 acres
4 around a producing well in the Upper Gallup.

5 Q Mr. Merrion, will you now refer to your
6 Exhibit Number Seven and explain to Mr. Stamets what it is
7 and what it shows?

8 A Exhibit Number Seven is a presentation
9 of an oil recovery factor for the Otero-Gallup Field for
10 different well spacings. Different --- the field is separated
11 down into blocks of wells and the limits were described by
12 drawing a limit around those wells which was approximately
13 a quarter of a mile from the well and drawn as tightly as
14 possible. The remaining reserves were plotted by decline
15 curve and estimated and added to the cumulative production so
16 that we got the total production for the block.

17 In block one we found 653,000 barrels,
18 which included 73,500 remaining reserves. This was from ten
19 wells on a total of 1760 acres, so that from wells spaced
20 on 160 --- 176 acres per well, the recovery factor is 371
21 barrels per acre.

22 On block two, which is the dense -- most
23 densely developed block in the field, there are 17 wells on
24 2080 acres, and the recovery factor is 335 barrels per acre
25 on 122-acre spacing.

1
2 Similarly, block three, we have 257
3 barrels per acre from 11 wells on 153-acre spacing.

4 Block four we have 270 barrels per acre
5 recovery from 7 wells spaced on 297-acre spacing.

6 Block five and six seem to be uncom-
7 mercial blocks with 47 barrels per acre spacing and 92 -- 47
8 barrel per acre recovery and 92 barrel per acre recovery and
9 at the south end we have again a larger recovery which under
10 certain circumstances would represent a commercial recovery
11 of 227 barrels per acre from 5 wells on 192-acre spacing.

12 The purpose of the exhibit is to compare
13 the recovery per acre with different well spacing and it ap-
14 pears as though the recovery per acre in the northern tier
15 of blocks, which are essentially on trend, is very close to-
16 gether with a gradual improvement from east to west and there
17 is a definite indication, statistically at least, that 297
18 acres we recover -- with 297 acres per well we recover almost
19 as much as the recovery for 122 acres per well. Wide drainage
20 is indicated and that's the purpose of the exhibit.

21 Q Will you now refer to your Exhibit Number
22 Eight?

23 A Exhibit Number Eight is a well cost
24 estimate for a Gallup well drilled in the Devils Fork-Gallup
25 area. These are current costs which we are experiencing and

1
2 the total well cost for a well complete with pumping unit,
3 tank battery, is \$368,000.

4 Q And will you now review Exhibit Number
5 Nine?

6 A Exhibit Number Nine is assessment of
7 the economics of development in the Otero-Devils Fork area.

8 If you'll refer back to Exhibit Number
9 Seven, we have various per acre recovery factors grading down
10 to 47 and 92 barrels per acre, which probably would be un-
11 commercial on any reasonable spacing, and 227 barrels per
12 acre on the south end, which probably could be economically
13 developed under the proper spacing rules.

14 In order to encourage development of
15 areas such as this we've selected 200 barrels per acre as a
16 recovery factor, which should be used to assess economics of
17 development. So with a well cost of \$368,000 we assume an
18 overriding royalty of 5 percent and with a price of oil of
19 \$35.00, subtracting royalty, production tax, and windfall
20 profits tax, leaves \$22.06 net to the operator per barrel.

21 These wells produce gas and have aver-
22 aged about 6 Mcf per barrel recovery. It is a rich gas
23 running about 1200 BTUs, and based on the new on shore pro-
24 duction price of \$2.46 base price, the net to operator after
25 tax, corrected for BTUs, is \$2.43.

1

2

Operating cost runs \$1250 per month.

3

4

The future recovery on 80-acre spacing is 591,000. Over a 21 year period the operating expenses would be \$315,000.

5

6

leaving a future net of \$276,000, which would result in a loss to the operator of \$91,960 over a 21 year period on 80 acre spacing.

7

8

9

10

11

The same acreage developed on 160 acre spacing would result in a future revenue of \$1,182,000 and operating costs of \$315,000. Future net of \$867,080, which is approximately two and a quarter times the cost of drilling, which is about the minimum most operators look for.

12

13

14

Q Have you reviewed this application with all operators in the area who will be affected?

15

16

A Not all of them, no. I've discussed it with many of them on the phone.

17

18

Q Have you discussed this application with Getty?

19

20

21

22

A I have.

Q Have you reviewed this with the USGS?

A I have not personally but one of my associates has.

23

24

25

Q And has this application been reviewed with the Oil Conservation Division Aztec office?

A

Yes, it has.

1
2 Q In your opinion will granting this
3 application avoid the drilling of unnecessary wells?

4 A Yes.

5 Q Will it reduce the risk that would re-
6 sult from drilling an excessive number of wells?

7 A Yes.

8 Q Are all wells in the Devils Fork-Gallup
9 Associated Pool so spaced as to conform with the proposed
10 changes in the rules and in the pool boundaries?

11 A I believe they are, yes.

12 Q In your opinion will granting the appli-
13 cation be in the best interest of conservation, the prevention
14 of waste, and the protection of correlative rights?

15 A Yes, it will.

16 Q Were Exhibits One through Nine prepared
17 by you?

18 A Yes, they were.

19 MR. CARR: At this time, Mr. Stamets,
20 we would offer Merrion and Bayless Exhibits One through Nine.

21 MR. STAMETS: These exhibits will be
22 admitted.

23 MR. CARR: There's one other thing I'd
24 like to call to your attention, Mr. Stamets. I failed to
25 include in the application one 160-acre tract, which is the

1
2 northeast quarter of Section 10, Township 24 North, Range 6
3 West. This 160-acre tract, if the application is granted, will
4 be completely surrounded by the Devils Fork Pool.

5 We would request, if it's possible, and
6 this application is granted, to have the Commission extend the
7 pool to include that 160-acre tract in a regular nomenclature
8 case.

9 MR. STAMETS: Since that's an inside
10 tract, I think perhaps we can even do it in this case.

11 MR. CARR: All right.

12 MR. STAMETS: I don't see that as a
13 major problem.

14 MR. CARR: We have nothing further to
15 present on direct.

16 MR. STAMETS: Are there questions of
17 this witness? Mr. Chavez?

18
19 QUESTIONS BY MR. CHAVEZ:

20 Q Mr. Merrion, in your application you
21 ask to include certain acreage in Township 25 North, 6 West,
22 that has not been yet proved by drilling in the Devils Fork
23 Pool. Would you be adverse to dropping that or not including
24 that acreage in an order that would come out and saving -- or
25 waiting until the wells have been drilled and then including

1
2 it -- the Commission including that acreage in a nomenclature
3 case at some other date?

4 A. I think that our proposal here was de-
5 signed in order to try to make sure that the area of interest
6 was included under these proposed rules, and for that reason
7 we had extended the Devils Fork limits up as far as we have
8 to the north end of Section 35.

9 So anything that would accomplish that
10 would be satisfactory with us, I'm sure.

11 Q. And just a point of clarity, you're
12 just changing the spacing for oil wells in the associated pool
13 from 80 to 160, isn't that correct, and not necessarily the
14 spacing of the gas wells in the associated pool?

15 A. We did not propose to make any change
16 in the gas well spacing.

17 MR. CHAVEZ: That's all I have. Thank
18 you.

19 MR. STAMETS: Are there other questions
20 of the witness? Mr. Carr?

21
22 REDIRECT EXAMINATION

23 BY MR. CARR:

24 Q. Mr. Merrion, do you have plans for
25 developing Section 35, Township 25 North, Range 6 West?

1
2 A Yes, I do.

3 Q And if you drill a well in that section,
4 it would be your desire that that be considered an extension
5 of the Devils Fork, not the Otero-Gallup, is that correct?

6 A That's correct.

7 MR. CARR I have nothing further.

8
9 CROSS EXAMINATION

10 BY MR. STAMETS:

11 Q Mr. Merrion, when you prepared Exhibit
12 Number Seven did you make any calculations as to what percentage
13 recovery you were getting on these wells?

14 A Percent of oil in place?

15 Q Right.

16 A I have -- no, I didn't. I don't -- I
17 didn't make any volumetric estimate of what we had in place
18 and I don't have any material balances, since I don't operate
19 in that field, don't have any material balances to work with.

20 MR. STAMETS: Any other questions of
21 the witness? He may be excused.

22 Anything further in this case?

23 MR. CARR: Mr. Stamets, I believe there
24 are several letters concerning the application and I would
25 like those noted for the purpose of the record.

1
2 MR. STAMETS: As I recall, they're all
3 in favor. We might just mention their names for the record.

4 MR. PEARCE: Marguerite Leiberman,
5 Kimbell Oil Company, W. A. Emrick for Albuquerque National
6 Bank, Joseph Grave, John M. Warren, President of Warren In-
7 corporated, and I believe that is all Mr. Examiner.

8 All of those named individuals have
9 submitted letters or telegrams concurring in the application.

10 MR. SALAZAR: Mr. Examiner?

11 MR. STAMETS: Yes.

12 MR. SALAZAR: May I make a statement?

13 MR. STAMETS: You certainly may.

14 MR. SALAZAR: I represent myself. My
15 name is Victor Salazar from Albuquerque, New Mexico.

16 I also represent Oil Company, and
17 the associates that are with me, who have sent letters and
18 I didn't send a letter so I'm replying with my approval in
19 person.

20 We are the working interest owners and
21 lease owners of all of the Federal lands in approximately
22 3100 acres lying in Township 25 North, 6 West. Two of the
23 sections and two of the leases, Section 34, one of the Federal
24 leases is included in the applicant's application. Also, all
25 of Section 35 is included in that application.

1
2 I just wanted to state that I want to
3 join or concur for myself and my associates, who own all of
4 the rights to the Gallup formation in these Federal leases
5 that I've just mentioned, with Mr. Bayless and Mr. Merrion's
6 application that is pending before you.

7 We have only drilled one Gallup well
8 in all these leases and that is in the northwest quarter of
9 Section 35. That was drilled approximately 22 years ago and
10 we felt all the time that it was draining more than 80 acres
11 possibly 160 acres, and we held back from any further devel-
12 opment of the Gallup formation in these leases.

13 Now these leases have been drilled for
14 over 22 years. We have over, I think, 20 wells, mostly oil
15 with the exception of this oil well -- gas well, in the Pic-
16 tured Cliffs, Chacra, or the Dakota formation. They certainly
17 are held by production.

18 And I want to state to you gentlemen,
19 to Mr. Examiner, that we have reached an accord and everybody
20 has concurred with it, for the orderly development of this
21 lease and the entire two leases as to Federal lands, in an
22 orderly fashion, to drill immediately the first five wells
23 that would be on these leases if you grant this application,
24 and continue by step laps every 120 days one well on one lease,
25 and every 180 days on the other lease. So that means that

1
2 we'll be drilling immediately 5 wells, and a minimum of 5 wells
3 a year for the next three years. And certainly I believe
4 we'll do it faster than that, but that is the minimum that
5 will get support in our contract, and I thought perhaps that
6 might be of interest to you.

7 Thank you.

8 MR. STAMETS: Thank you.

9 Anything further in this case?

10 The case will be taken under advisement.

11
12 (Hearing concluded.)
13
14
15
16
17
18
19
20
21
22
23
24
25

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 Conserva-
tion Division 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. _____,
heard by me on _____ 19____.

_____, Examiner
Oil Conservation Division

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

MERRION & BAYLESS

Case No. 7296

J.R. WELL SURVEYING CORPORATION
Induction-Resistivity Log

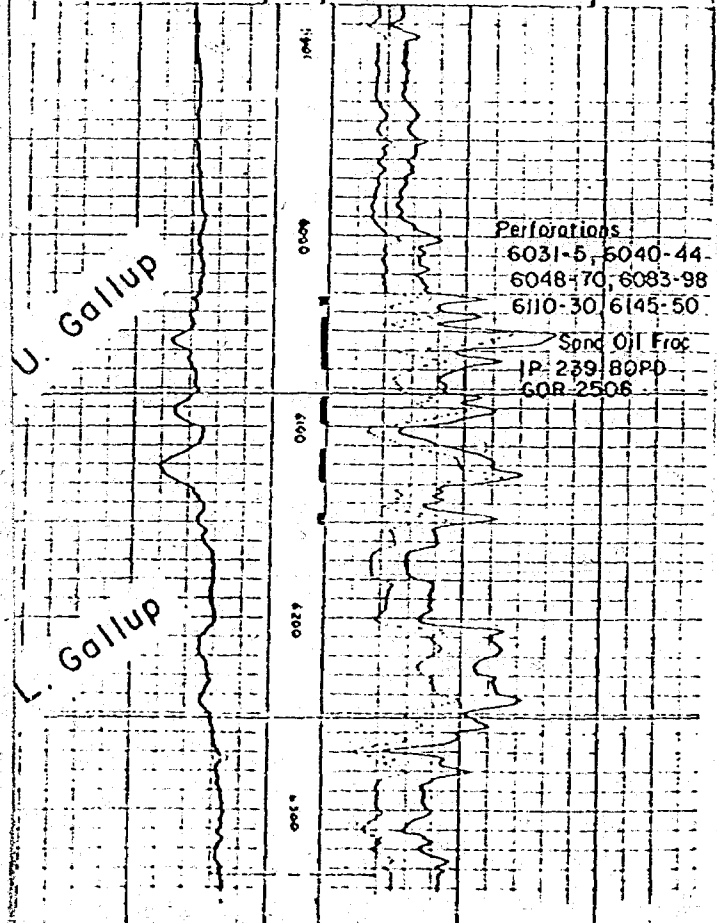
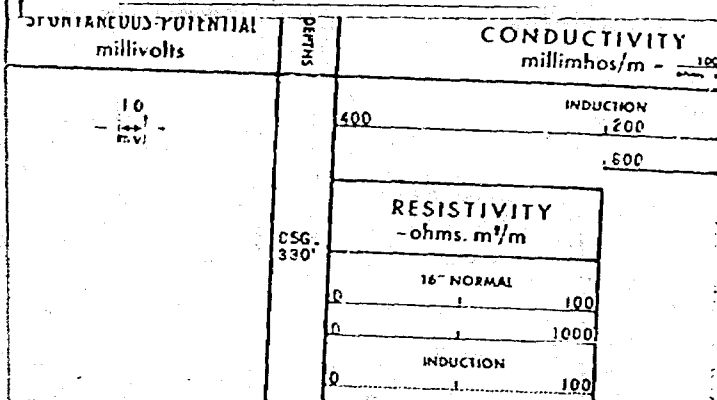
COMPANY SKELLY OIL
 WELL JICARILLA B #1
 FIELD VILCUT
 LOCATION SEC. 32-25N-5W
 COUNTY RIO ARriba
 STATE NEW MEXICO

Other Surveys
 Location of Well
 1930' FB N/L
 1930' FB N/L
 SEC. 32-25N-5W
 Elevation DJ. ---
 EST. - G.I. 7330'
 FILING No.

RUN No. ONE
 Date 11-22-58
 First Reading 5333
 Last Reading 5330
 Test Measured 6005
 Cap. Culum 330
 Cap. Driller 330
 Depth Reached 5335
 Bottom Driller 5330
 Depth Datum KB
 Mud Not. GEL-DIL EMUL
 Dens. Visc. 10.1 90
 Mud Resist. 2.2 10.7
 Res. BHT 1.15 133
 Rmt 2.24 133
 Rmc 2.45 133
 pH 8.56
 Wtr. Loss 5.8 CC 30 min
 Bit Size 8 3/4"
 Specs. - AM 16"
 IND. 40"
 Opr. Rig Time 2 HRS
 Truck No. 7915A PM
 Recorded By LOVEY
 Witness BOOKIN

REMARKS CC USED SO I.O.

Cartridge No. 18-15V RMT - 4.7 x 64-1.5
 Penet No. 18-11E RMC - 5.3 x 64-1.5
 Sonde No. 18-82



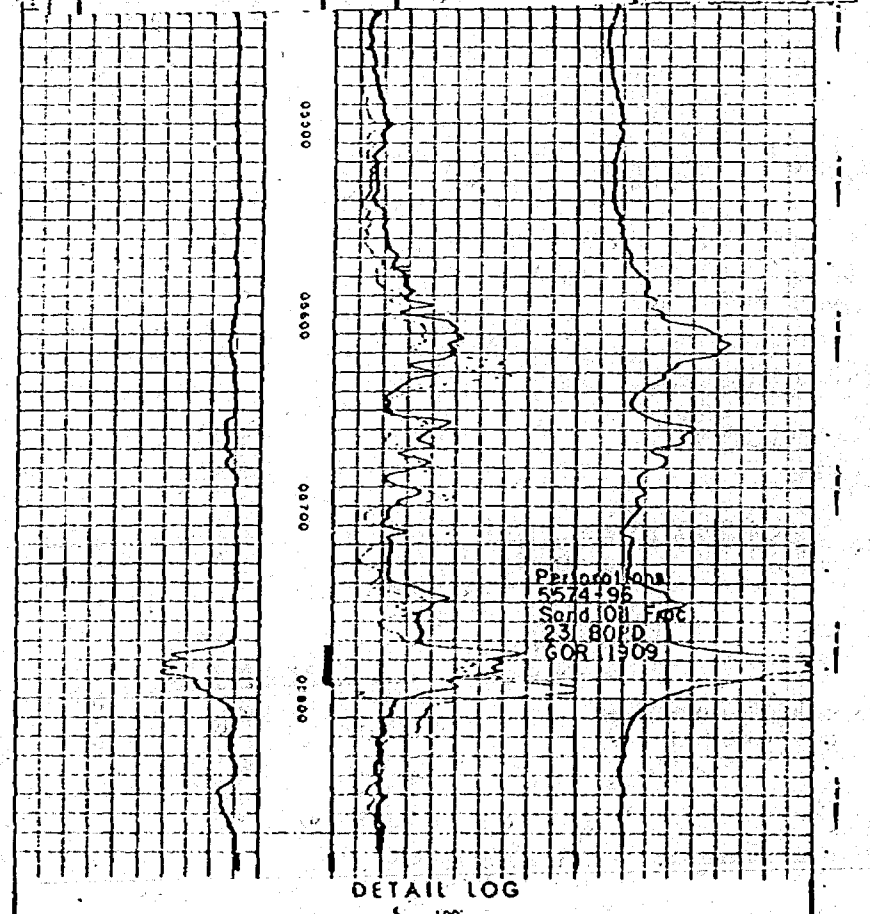
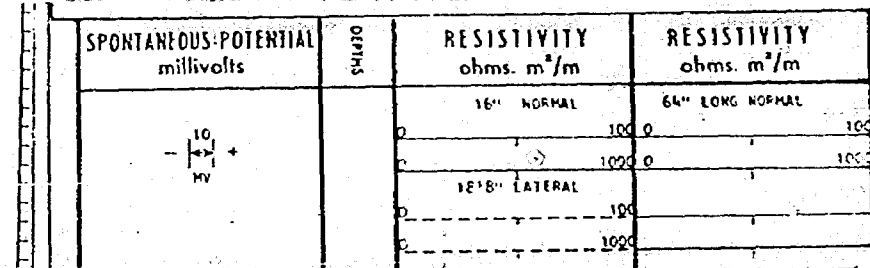
TYPICAL OTERO WELL.

SCHLUMBERGER **ELECTRICAL LOG**

COUNTY RIO ARriba, NEW MEX.
 FIELD OF LOCATION DEVIL'S FORK GALLUP
 WELL NCPA STATE #3
 COMPANY J. GREGORY MERRION AND ASSOCIATES

Other Surveys
 SCP-C
 Location of Well
 NW
 SW
 SEC. 16-24N-6W
 Elevation DJ. 5812'
 K.B. 2813'
 or G.I. 2803'
 FILING No.

RUN No. ONE
 Date 10-18-62
 First Reading 5870
 Last Reading 203
 Test Measured 5667
 Cap. Schum. 203
 Cap. Driller 202
 Depth Reached 5875
 Bottom Driller 5865
 Depth Datum KB
 Mud Not. GTI - OIL ADDED
 Dens. Visc. 10.4 50
 Mud Resist. 2.3 63
 Res. BHT 1.1 134
 Rmt 2.0 63
 Rmc - - -
 pH 12.4 6
 Wtr. Loss 2 CC 30 min
 Bit Size 7 7/8"
 Specs. - AM 16"
 AO 18" B"
 Opr. Rig Time
 Truck No. 135207 ASM
 Recorded By FEATHER
 Witness JMR. MAYS



TYPICAL DEVIL'S FORK WELL.

PRESSURE BUILDUP DATA 3-16-81 to 5-14-81

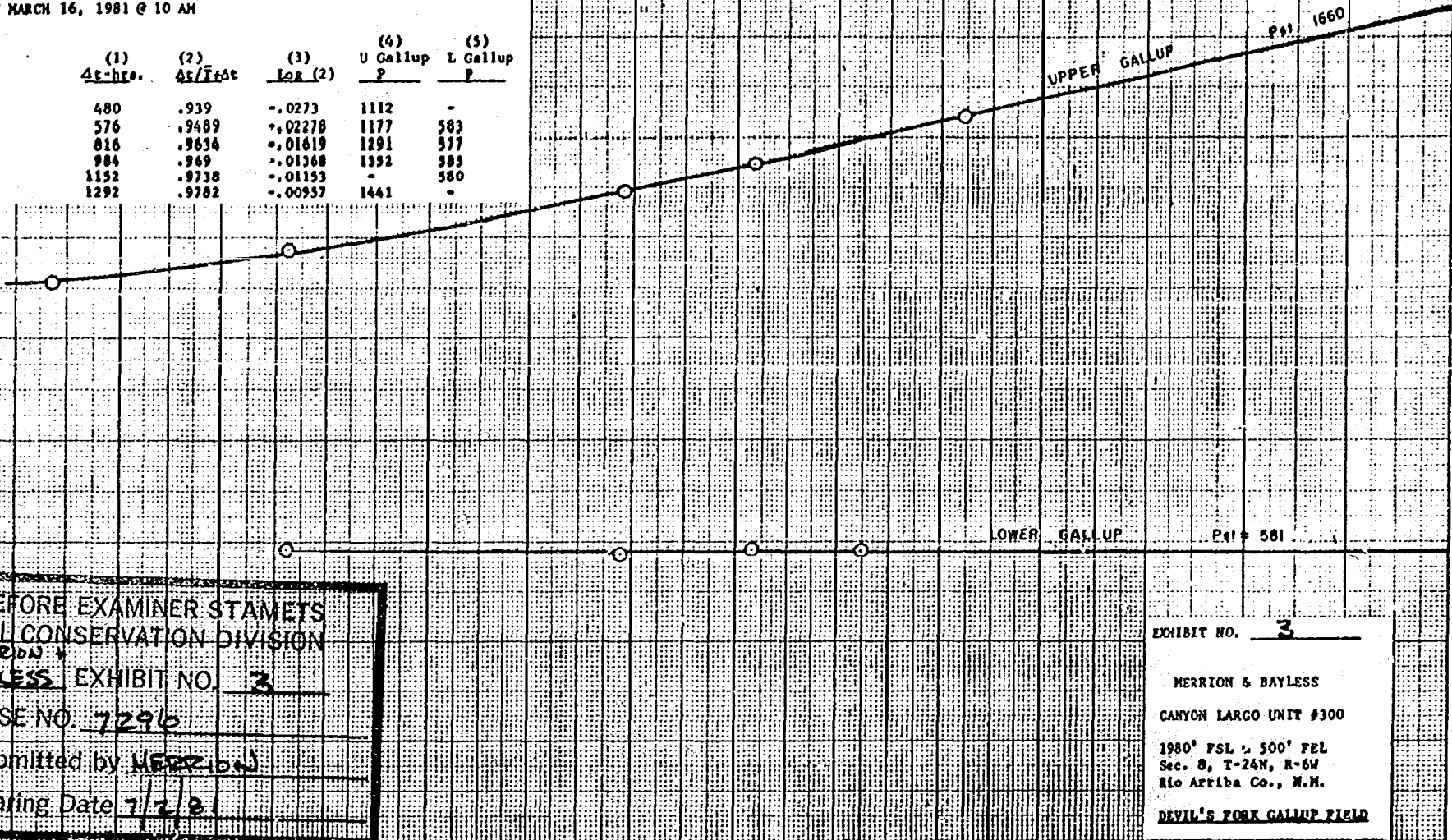
CUMULATIVE NEW OIL PRODUCTION - 22 BBLS.

STABILIZED RATE BEFORE SHUT IN - 17 BOPD

PSEUDO-PRODUCING TIME $T = 22/17 = 1.20 \approx 3 \text{ HRS.}$

SHUT IN MARCH 16, 1981 @ 10 AM

DATE	(1) Δt -hrs.	(2) $\Delta t/T + \Delta t$	(3) Log (2)	(4) U Gallup P	(5) L Gallup P
4-6-81	480	.939	-.0273	1112	-
4-10-81	576	.9489	-.02278	1177	583
4-20-81	816	.9634	-.01619	1291	577
4-27-81	984	.969	-.01368	1332	583
5-4-81	1152	.9738	-.01153	-	580
5-14-81	1292	.9782	-.00957	1441	-



BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION

HERRION & BAYLESS EXHIBIT NO. 3

CASE NO. 7296

Submitted by HERRION

Hearing Date 7/2/81

EXHIBIT NO. 3

HERRION & BAYLESS

CANYON LARGO UNIT #300

1980' FSL & 500' FEL
Sec. 8, T-24N, R-6W
Rio Arriba Co., N.M.

DEVIL'S FORK GALLUP FIELD

LOG $\frac{\Delta t}{T + \Delta t}$ DIMENSIONLESS SHUT-IN TIME

PSIG
HOLE
BOTTOM

ESB:MEC USE PREPARE CO.

NO. 3400A-30 DIETZGEN GRAPH PAPER
30 X 30 PER INCH

6/81 cs

EXHIBIT NO. 4
MERRION & BAYLESS
Case #7296

Infill Drilling Results

Canyon Largo Unit #300
NE/4, SW/4, Section 8, T-24N, R-6W
Rio Arriba County, New Mexico
Devils Fork Gallup Field

Offset Wells - Canyon Largo Unit #122, 125, 129, and 130 were drilled in 1962. Virgin pressure was 2016 psi as measured in Redfern & Herd Largo Spur #1 discovery well. Average IP of offsets was 126 BOPD + 108 MCF/day gas. Completion was in lower Gallup only.

Canyon Largo #300 - Infill well data:

Completed 03-15-81

	<u>Upper Gallup</u>	<u>Lower Gallup</u>	<u>Comingled</u>
BPH	1660	581	-
Initial Rate	11 BOPD (1) +65 MCF/day	11 BOPD (2) + ? Gas	13 BOPD (3) +97 MCF/day
(1)	After 1 week flowing		Probable split
(2)	Short term swab test		Upper Gallup 9 BOPD + 53 MCF
(3)	After 2 weeks pumping.		Lower Gallup 4 BOPD + 49 MCF

Conclusion - Lower Gallup has been essentially depleted by 160 acres development.

Upper Gallup is uncommercial.

BEFORE EXAMINER STAMETS OIL CONSERVATION DIVISION MERRION & BAYLESS EXHIBIT NO. <u>4</u> CASE NO. <u>7296</u> Submitted by <u>MERRION</u> Hearing Date <u>7/2/81</u>
--

PRESSURE BUILDUP DATA 3-6-81 to 4-6-81

CUMULATIVE NEW OIL PRODUCTION = 538 BBLS.

STABILIZED RATE BEFORE SHUT IN = 65 BOPD

PSUEDO-PRODUCING TIME $\bar{T} = 538/65 = 8.277$ DA = 199 HRS.

SHUT IN MARCH 6, 1981 @ 10 AM

DATE	(1) Δt -hrs.	(2) $\Delta t/T + \Delta t$	(3) $\log (2)$	(4) P
3-18-81 - 10 AM	288	0.5913	-.2282	1227
3-23-81 - 10 AM	408	0.6722	-.1725	1272
3-30-81 - 10 AM	576	0.7432	-.1289	1334
4-1-81 - 10 AM	624	0.7582	-.1202	1347
4-3-81 - 12 NOON	674	0.7720	-.1124	1353
4-6-81 - 12 NOON	746	0.7894	-.1027	1369

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
MERRION & BAYLESS EXHIBIT NO. 5
CASE NO. 7296
Submitted by MERRION
Hearing Date 7/2/81

EXHIBIT NO. 5
MERRION & BAYLESS
CANYON LARGO UNIT #298
790' FNL, 790' FEL
Sec. 3, T-24N, R-6W
Rio Arriba County, New Mexico
DEVIL'S FORK CALLUP FIELD

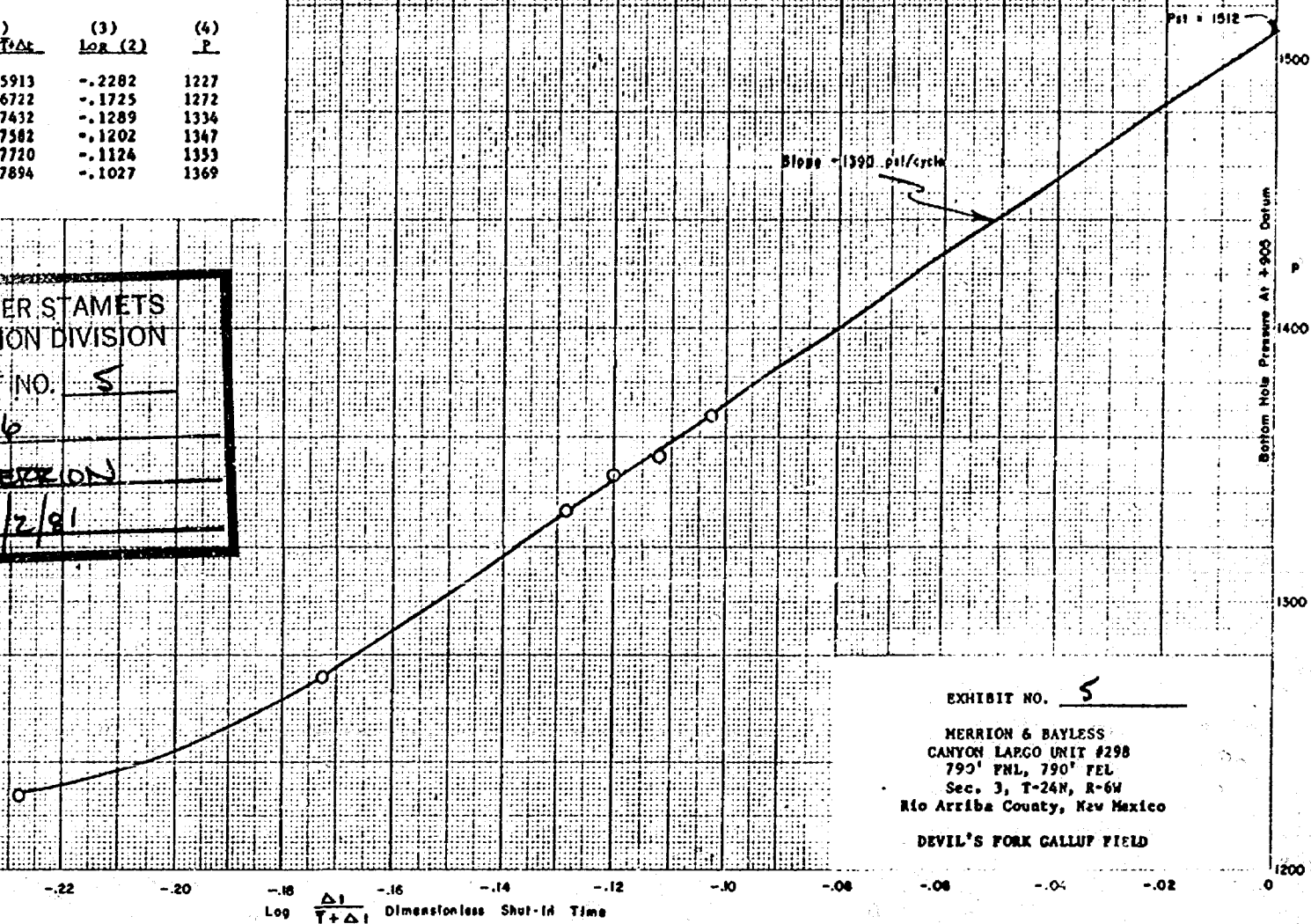


EXHIBIT NO. 6
MERRION & BAYLESS
Case No. 7296
Upper Gallup Pressure Data

Virgin Pressure - Skelly Oil Co. Jicarilla B-10

DST pressure in June, 1958 was

2120 psi

Merrion & Bayless - Canyon Largo Unit #298

NE NE Sec 3, T-24N, R-6W

Completion date 02-22-81

Initial pressure 1512 psi buildup
(608 psi draw down from Virgin Pressure)

Nearby Well		Distance	Area of Circle
Farming	E-2	4200'	1272 acres
Farming	E-3	3921'	1109 acres
CLU #185		4302'	1335 acres

Getty Oil to Farming E-1-E NE SE Sec 2, T-24N, R-6W

Completion date December, 1980
Initial pressure 1531 psi (228 hours)

Nearby Well		Distance	Area of Circle
Farming	E-3	2600'	488 acres
Farming	E-2	3216'	746 acres

Conclusion: Substantial drainage has occurred over area of at least 1109 acres around producing well.

BEFORE EXAMINER STAMETS OIL CONSERVATION DIVISION MERRION & BAYLESS EXHIBIT NO. 6 CASE NO. 7296 Submitted by MERRION Hearing Date 7/2/81
--

EXHIBIT NO. 7

MERRION & BAYLESS

Case No. 7296

Otero Gallup Field

Oil Recovery Factor

For Different Well

Spacings

(Recoveries include following remaining reserves)

Block 1	73,500 bbls
2	51,000
4	225,000
6	5,000
7	41,000

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION

MERRION & BAYLESS EXHIBIT NO. 7

CASE NO. 7296

Submitted by MERRION

Hearing Date 7/2/81

Range

6 W

County Rio Arriba

State New Mexico

Range 5 W

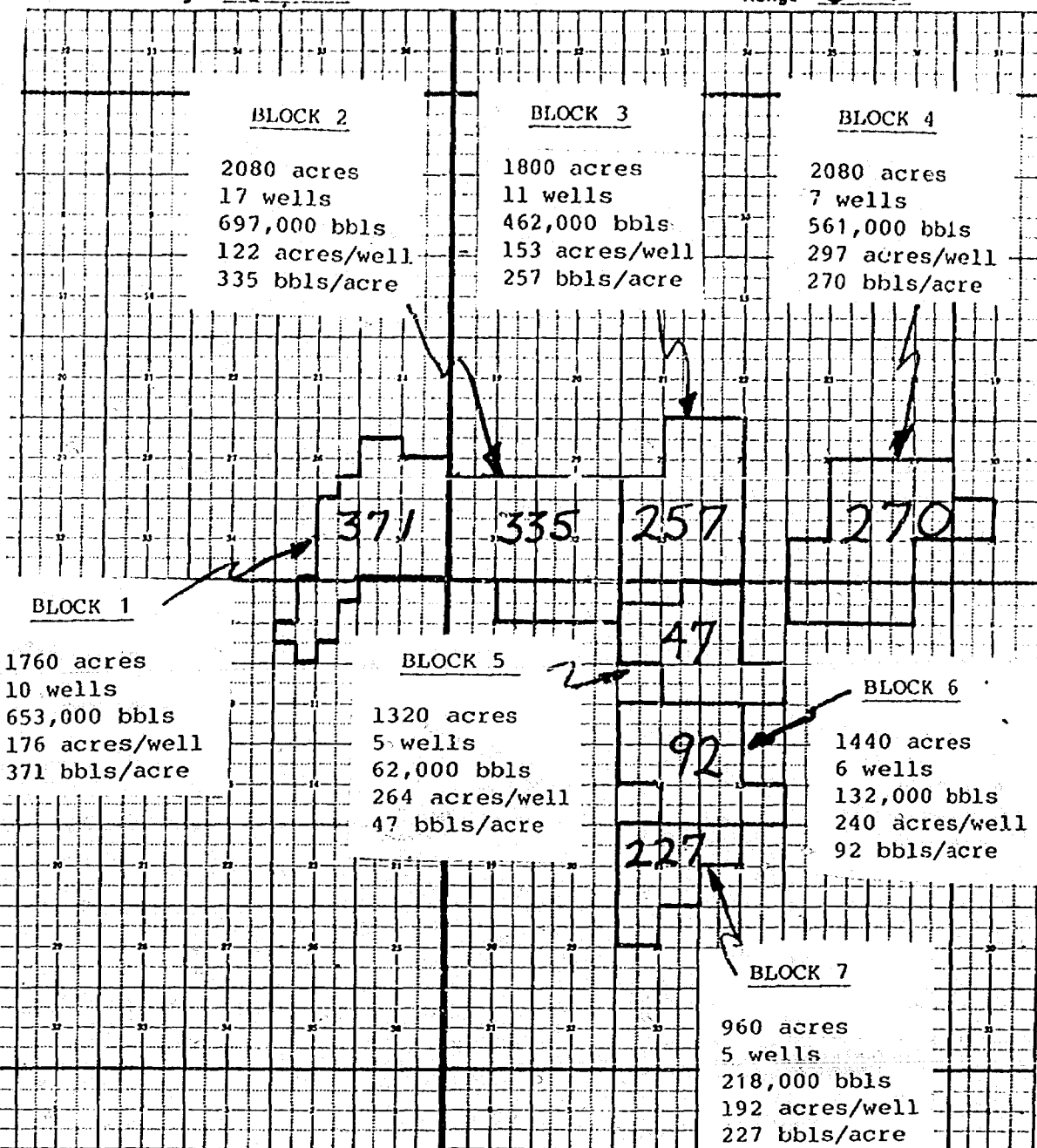


EXHIBIT NO. 8
MERRION & BAYLESS
Case No. 7296
Gallup Well Cost
Devils Fork-Otero Area

Survey	\$ 250
Archaeological	250
Surface Damages	500
Dirtwork	2,000
Surface Casing - 200' of 8-5/8", 24# casing	2,200
Cement Surface	2,000
Drilling Footage - 5700' @ \$14.50	82,650
Daywork - 2 days @ \$4500	9,000
Electric Logs	8,500
Water	6,500
Mud	10,000
Hauling	1,000
Engineering & Geological	1,800
Overhead	2,000
Miscellaneous & Unforeseen	3,900

COST TO CASING POINT: \$132,550

5700' of 4-1/2", 10.5#, K-55 casing @ \$5.80	\$ 33,060
5700' of 2-3/8", 4.7#, J-55 tubing @ \$3.50	19,950
Stage Collars & Float Equipment	3,500
Cementing	12,500
Casing Crew	2,000
Wellhead	3,000
Perforating	3,500
Fracking	60,000
Completion Rig	15,000
Hauling	2,000
Rental Tools	2,000
Engineers & Foreman	1,500
Miscellaneous & Unforeseen	4,560

COMPLETION COSTS: \$162,570

Pumping Unit 114D - 173 - 64 W - FM346 Engine	36,000
Rods & Pump	6,000
Pulling Unit	1,000
Hauling	1,000
Roustabout Labor	3,000
Foreman	500
Miscellaneous	1,500

PUMP INSTALLATION: \$ 49,000

2 - 400 Bbl. Tank w/Stairway	\$ 8,500
Two-Phase Separator	3,500
Flowline	3,000
Dirtwork	1,000
Roustabout Labor	6,000
Foreman	1,000
Miscellaneous	880

TANK FACILITIES: \$ 23,880

TOTAL WELL COST: \$368,000

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
~~MERRION & BAYLESS~~ EXHIBIT NO. 8
CASE NO. 7296
Submitted by MERRION
Hearing Date 7/2/81

EXHIBIT NO. 9
MERRION & BAYLESS
Case No. 7296
Economics of Development
Otero-Devils Fork Area

Well Cost \$368,000

Price of Oil \$35.00
17.5% Royalty (6.13)
Prod Tax (2.40)
WP Tax (4.41)
NET \$22.06

Price of Gas (1200 BTU)

2.46 x 1.2 x 1.020027 = \$3.01
Royalty (.53)
Tax - Pass thru -
NET \$2.48/MCF

Operating Cost \$1250/Month

Recovery Factor 200 BO/acre + 1200 MCF/acre

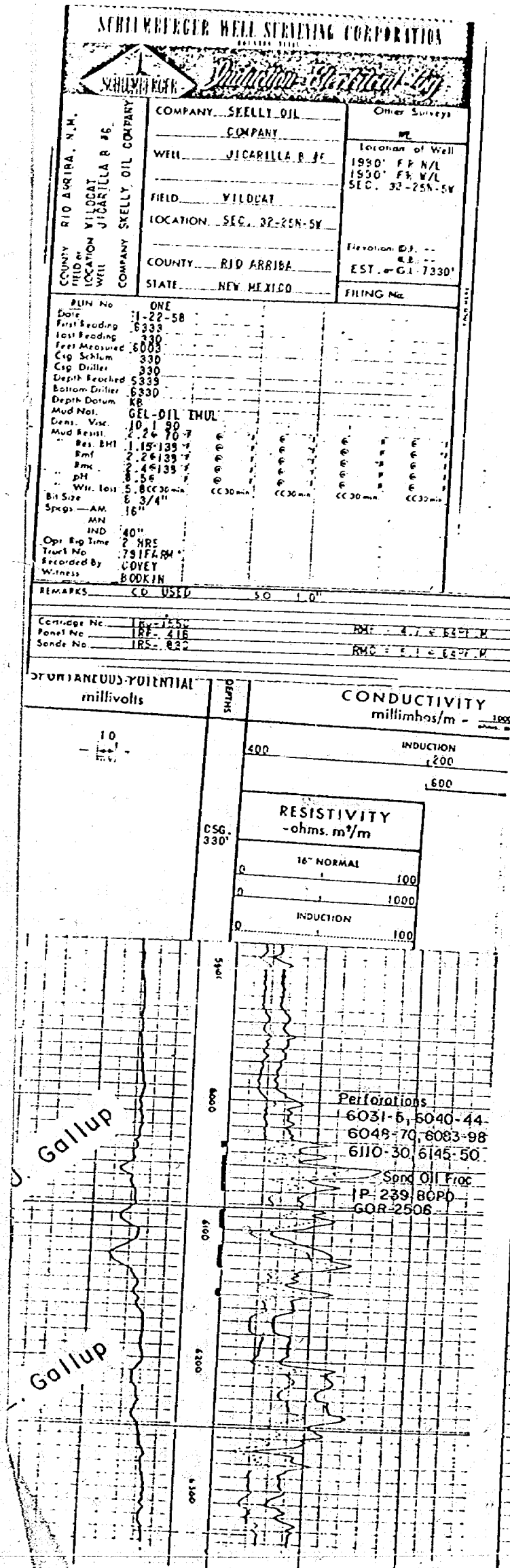
Future Performance

	80 acres	160 acres
Future Rev.	\$591,040	\$1,182,080
OP Exp.	315,000	315,000
Future Net	\$276,040	\$ 867,080
Well Lost	(368,000)	(368,000)
Profit or Loss	(91,960)	\$ 499,080

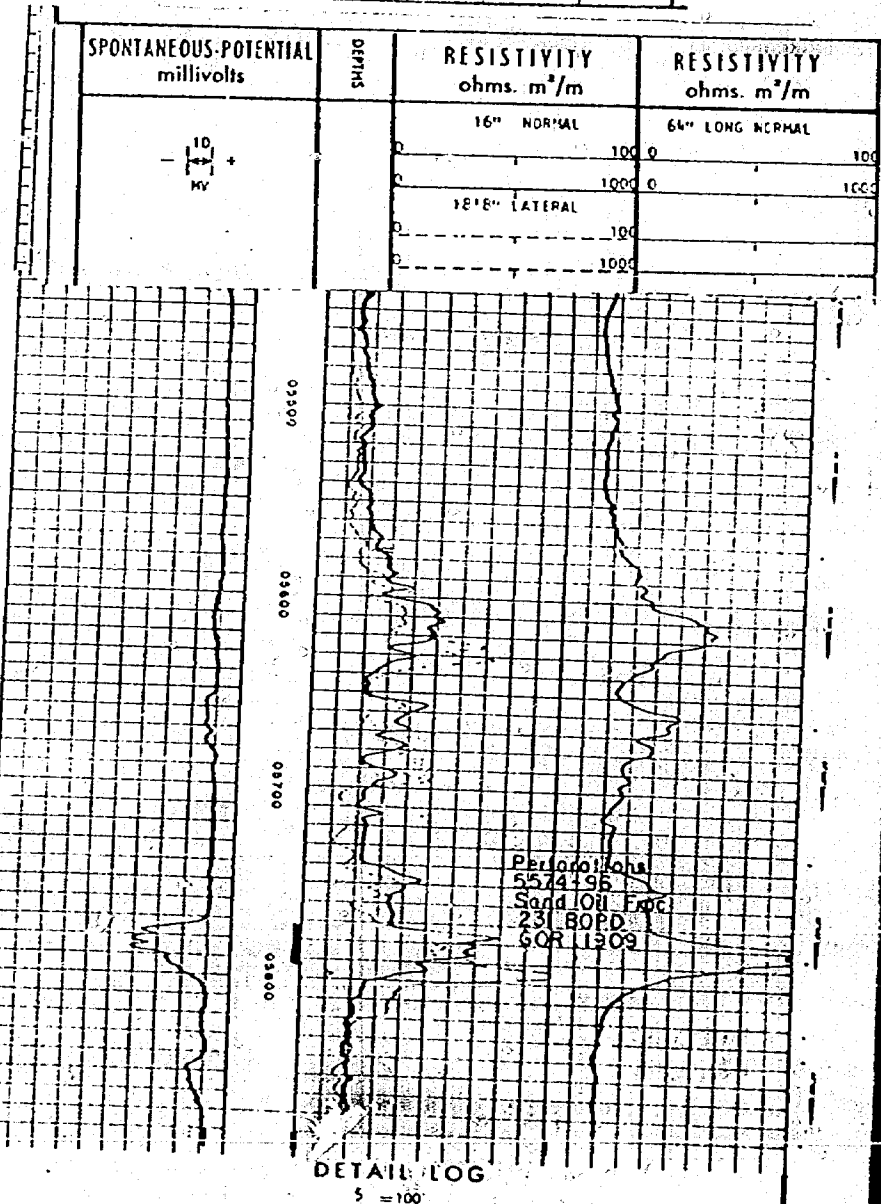
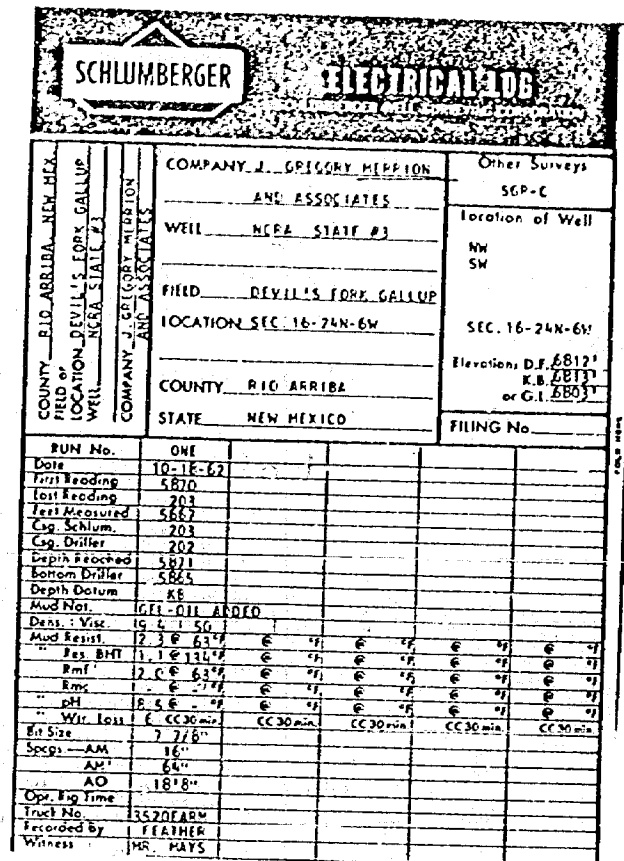
BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
~~MERRION & BAYLESS~~ EXHIBIT NO. 9
CASE NO. 7296
Submitted by MERRION
Hearing Date 7/2/81

MERRION & BAYLESS

Case No. 7296



TYPICAL OTERO WELL



TYPICAL DEVIL'S FORK WELL

PRESSURE BUILDUP DATA 3-16-81 to 5-14-81

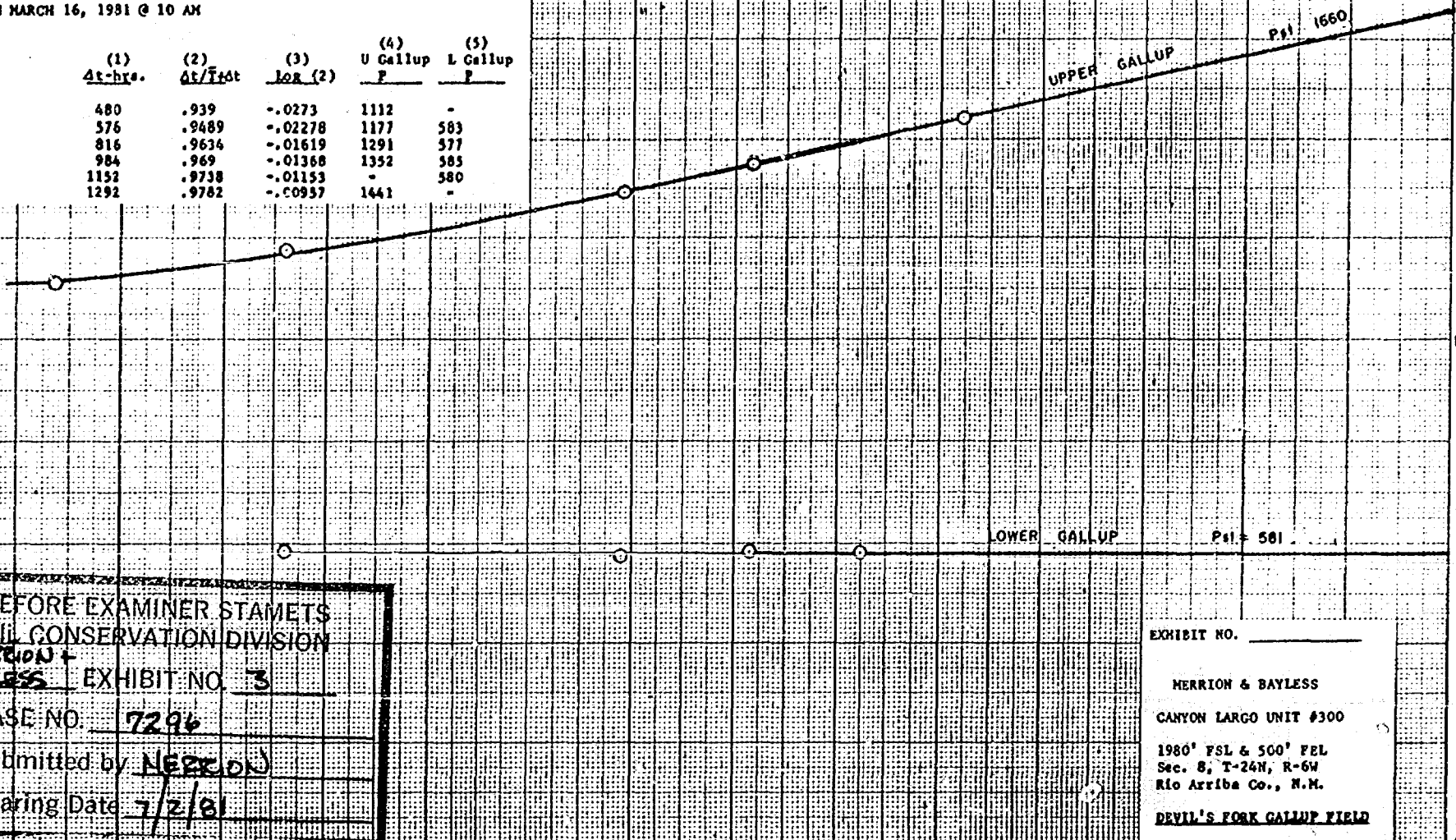
CUMULATIVE NEW OIL PRODUCTION - 22 BBLs.

STABILIZED RATE BEFORE SHUT IN - 17 BOPD

PSUEDO-PRODUCING TIME $T = 22/17 = 1.29 \times 31 \text{ HRS.}$

SHUT IN MARCH 16, 1981 @ 10 AM

DATE	(1) Δt -hrs.	(2) $\Delta t/T + \Delta t$	(3) LOG (2)	(4) U Gallup P	(5) L Gallup P
4-6-81	480	.939	-.0273	1112	-
4-10-81	576	.9489	-.02278	1177	583
4-20-81	816	.9634	-.01619	1291	577
4-27-81	984	.969	-.01368	1352	585
5-4-81	1152	.9738	-.01153	-	580
5-14-81	1292	.9782	-.00957	1441	-



BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION

MERRION & BAYLESS

EXHIBIT NO. 3

CASE NO. 7296

Submitted by MERRION

Hearing Date 7/2/81

EXHIBIT NO.

MERRION & BAYLESS

CANYON LARGO UNIT #300

1980' FSL & 500' FEL
Sec. 8, T-24N, R-6W
Rio Arriba Co., N.M.

DEVIL'S FORK GALLUP FIELD

6/81 cs

EXHIBIT NO. 4
MERRION & BAYLESS
Case #7296

Infill Drilling Results

Canyon Largo Unit #300
NE/4, SW/4, Section 8, T-24N, R-6W
Rio Arriba County, New Mexico
Devils Fork Gallup Field

Offset Wells - Canyon Largo Unit #122, 125, 129, and 130 were drilled in 1962. Virgin pressure was 2016 psi as measured in Redfern & Herd Largo Spur #1 discovery well. Average IP of offsets was 126 BOPD + 108 MCF/day gas. Completion was in lower Gallup only.

Canyon Largo #300 - Infill well data:

Completed 03-15-81

	<u>Upper Gallup</u>	<u>Lower Gallup</u>	<u>Comingled</u>
BPH	1660	581	
Initial Rate	11 BOPD (1) +65 MCF/day	11 BOPD (2) + ? Gas	13 BOPD (3) +97 MCF/day
(1)	After 1 week flowing		Probable split
(2)	Short term swab test		Upper Gallup 9 BOPD + 53 MCF
(3)	After 2 weeks pumping.		Lower Gallup 4 BOPD + 49 MCF

Conclusion - Lower Gallup has been essentially depleted by 160 acres development.

Upper Gallup is uncommercial.

BEFORE EXAMINER STAMETS OIL CONSERVATION DIVISION MERRION & BAYLESS EXHIBIT NO. <u>4</u> CASE NO. <u>7296</u> Submitted by <u>MERRION</u> Hearing Date <u>7/2/81</u>
--

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
HERNAN +
EXHIBIT NO. 5
CASE NO. 7296
Submitted by Hernandez
Hearing Date 7/2/81

PRESSURE BUILDUP DATA 3-6-81 to 4-6-81

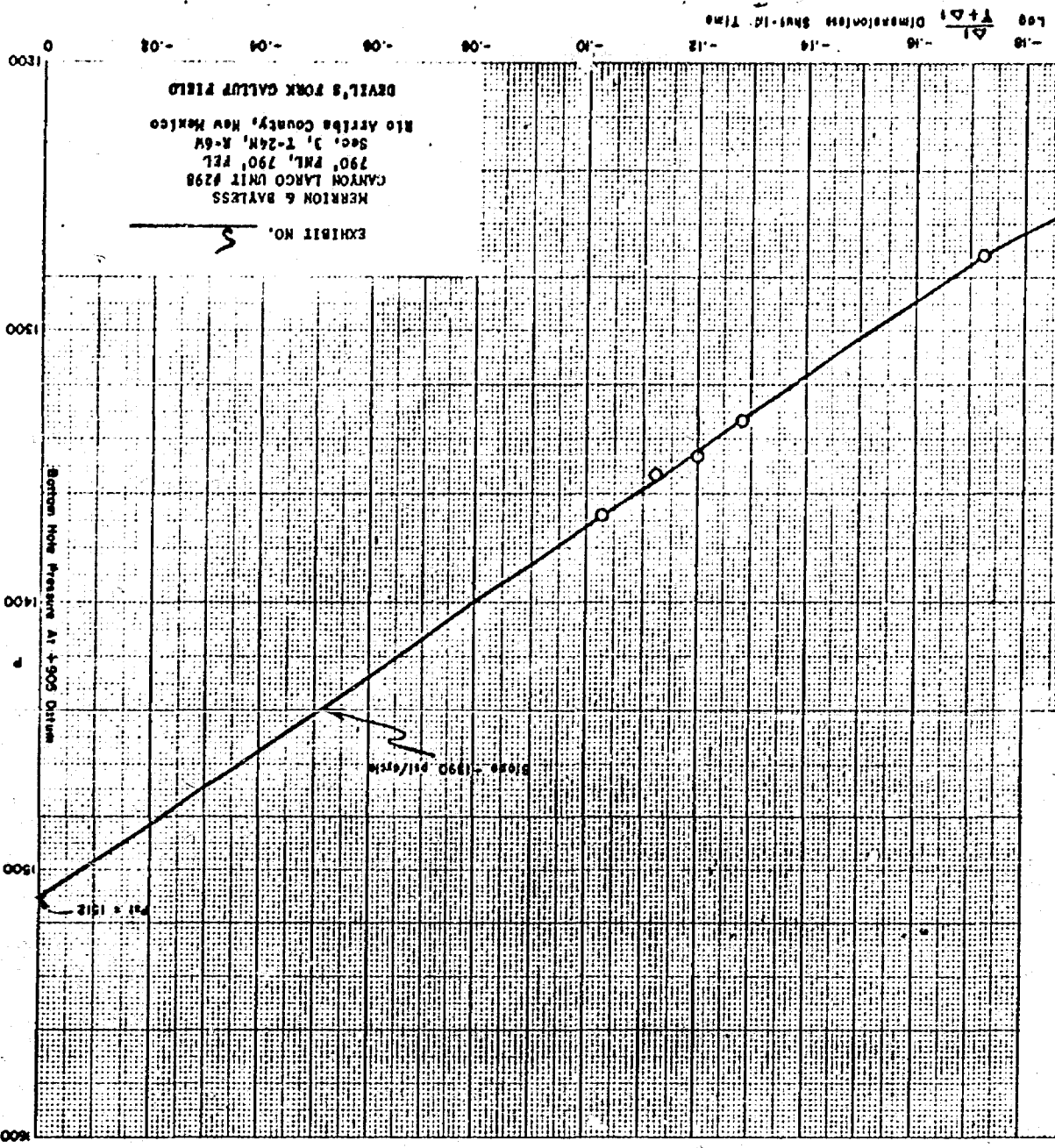
CUMULATIVE NEW OIL PRODUCTION = 538 BBLs.

STABILIZED RATE BEFORE SHUT IN = 65 BOPD

PSEUDO-PRODUCING TIME $T = 538/65 = 8.277$ DA = 199 HRS.

SHUT IN MARCH 6, 1981 @ 10 AM

DATE	(1)	(2)	(3)	(4)
	Qr-hr	ΔP/Δt	h _{or}	P
3-18-81 - 10 AM	288	0.5913	-2282	1227
3-23-81 - 10 AM	608	0.6722	-1725	1272
3-30-81 - 10 AM	576	0.7632	-1289	1334
4-1-81 - 10 AM	624	0.7582	-1202	1347
4-3-81 - 12 NOON	674	0.7720	-1124	1353
4-6-81 - 12 NOON	746	0.7894	-1027	1369



Log $\frac{1}{Q} \frac{dP}{dt}$ Dimensionless Shut-In Time

EXHIBIT NO. 6
MERRION & BAYLESS
Case No. 7296
Upper Gallup Pressure Data

Virgin Pressure - Skelly Oil Co. Jicarilla B-10

DST pressure in June, 1958 was

2120 psi

Merrion & Bayless - Canyon Largo Unit #298

NE NE Sec 3, T-24N, R-6W

Completion date 02-22-81

Initial pressure 1512 psi buildup

(608 psi draw down from Virgin Pressure)

Nearby Well		Distance	Area of Circle
Farming	E-2	4200'	1272 acres
Farming	E-3	3921'	1109 acres
CLU #185		4302'	1335 acres

Getty Oil to Farming E-1-E NE SE Sec 2, T-24N, R-6W

Completion date December, 1980

Initial pressure 1531 psi (228 hours)

Nearby Well		Distance	Area of Circle
Farming	E-3	2600'	488 acres
Farming	E-2	3216'	746 acres

Conclusion: Substantial drainage has occurred over area of at least 1109 acres around producing well.

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
~~MERRION & BAYLESS~~ EXHIBIT NO. 6
CASE NO. 7296
Submitted by MERRION
Hearing Date 7/2/81

EXHIBIT NO. 7

MERRION & BAYLESS

Case No. 7296

Otero Gallup Field

Oil Recovery Factor

For Different Well

Spacings

(Recoveries include following remaining reserves)

Block 1	73,500 bbls
2	51,000
4	225,000
6	5,000
7	41,000

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION

MERRION & BAYLESS EXHIBIT NO. 7

CASE NO. 7296

Submitted by MERRION

Hearing Date 7/2/81

Range 6 W County Rio Arriba

State New Mexico
Range 5 W

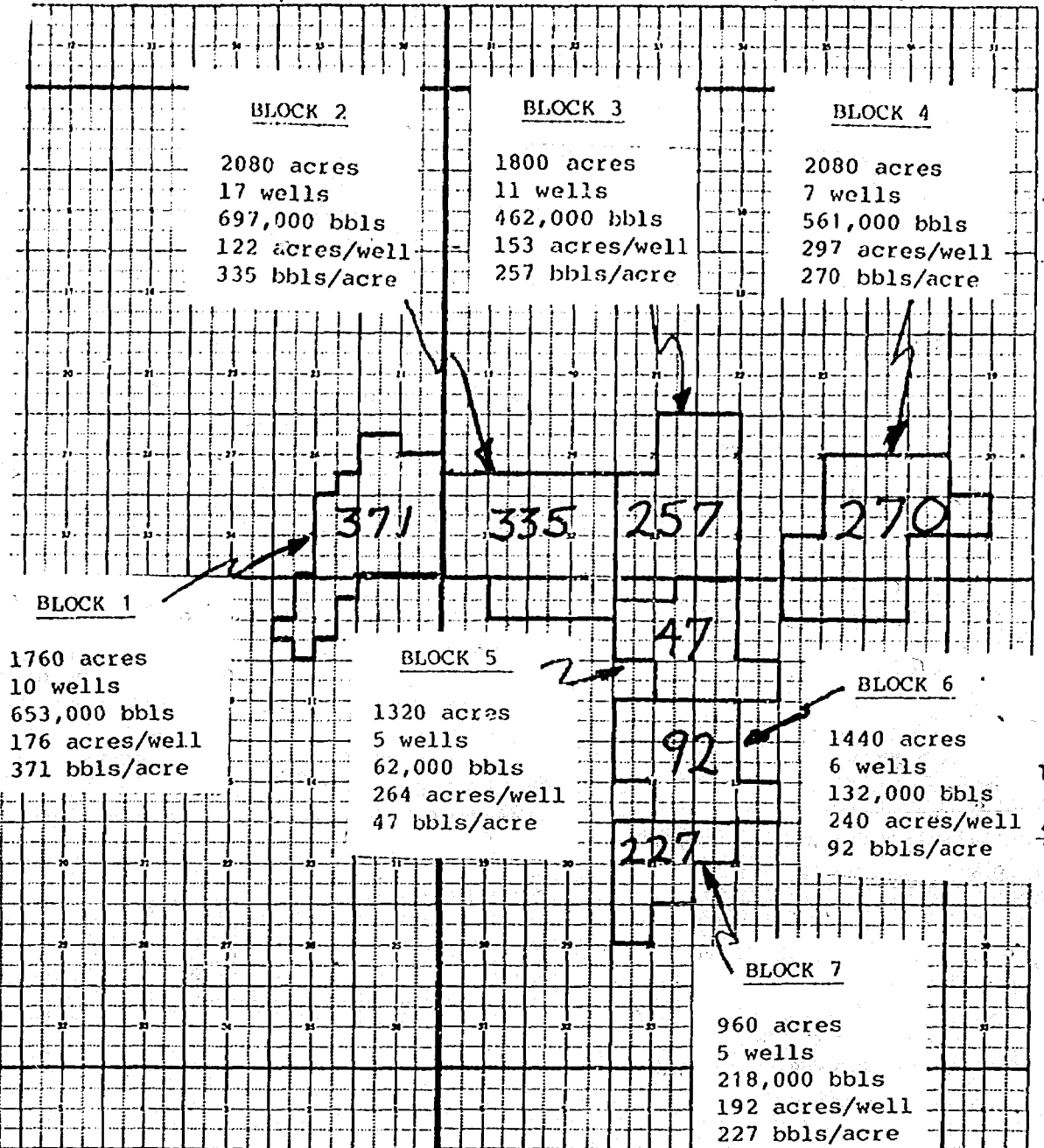


EXHIBIT NO. 8
MERRION & BAYLESS
Case No. 7296
Gallup Well Cost
Devils Fork-Otero Area

Survey	\$ 250
Archaeological	250
Surface Damages	500
Dirtwork	2,000
Surface Casing - 200' of 8-5/8", 24# casing	2,200
Cement Surface	2,000
Drilling Footage - 5700' @ \$14.50	82,650
Daywork - 2 days @ \$4500	9,000
Electric Logs	8,500
Water	6,500
Mud	10,000
Hauling	1,000
Engineering & Geological	1,800
Overhead	2,000
Miscellaneous & Unforeseen	3,900

COST TO CASING POINT: \$132,550

5700' of 4-1/2", 10.5#, K-55 casing @ \$5.80	\$ 33,060
5700' of 2-3/8", 4.7#, J-55 tubing @ \$3.50	19,950
Stage Collars & Float Equipment	3,500
Cementing	12,500
Casing Crew	2,000
Wellhead	3,000
Perforating	3,500
Fracking	60,000
Completion Rig	15,000
Hauling	2,000
Rental Tools	2,000
Engineers & Foreman	1,500
Miscellaneous & Unforeseen	4,560

COMPLETION COSTS: \$162,570

Pumping Unit 114D - 173 - 64 W - FM346 Engine	36,000
Rods & Pump	6,000
Pulling Unit	1,000
Hauling	1,000
Roustabout Labor	3,000
Foreman	500
Miscellaneous	1,500

PUMP INSTALLATION: \$ 49,000

2 - 400 Bbl. Tank w/Stairway	\$ 8,500
Two-Phase Separator	3,500
Flowline	3,000
Dirtwork	1,000
Roustabout Labor	6,000
Foreman	1,000
Miscellaneous	880

TANK FACILITIES: \$ 23,880

TOTAL WELL COST: \$368,000

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION

MERRION & BAYLESS EXHIBIT NO. 8

CASE NO. 7296

Submitted by MERRION

Hearing Date 7/2/81

EXHIBIT NO. 9
MERRION & BAYLESS
Case No. 7296
Economics of Development
Otero-Devils Fork Area

Well Cost \$368,000

Price of Oil \$35.00
17.5% Royalty (6.13)
Prod Tax (2.40)
WP Tax (4.41)
NET \$22.06

Price of Gas (1200 BTU)

$2.46 \times 1.2 \times 1.020027 = \3.01
Royalty (.53)
Tax - Pass thru -
NET \$2.48/MCF

Operating Cost \$1250/Month

Recovery Factor 200 BO/acre + 1200 MCF/acre

Future Performance

	<u>80 acres</u>	<u>160 acres</u>
Future Rev.	\$591,040	\$1,182,080
OP Exp.	315,000	315,000
Future Net	\$276,040	\$ 867,080
Well Lost	(368,000)	(368,000)
Profit or Loss	(91,960)	\$ 499,080

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
~~MERRION~~ +
~~BAYLESS~~ EXHIBIT NO. 9
CASE NO. 7296
Submitted by MERRION
Hearing Date 7/2/81

CASE 7291: Application of ARCO Oil and Gas Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Silurian and Fusselman formations underlying the N/2 of Section 6, Township 25 South, Range 37 East, Custer Field, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7292: Application of ARCO Oil and Gas Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Devonian thru Ellenburger formations underlying the S/2 of Section 6, Township 25 South, Range 37 East, Custer Field, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7293: Application of ARCO Oil and Gas Company for an amendment to Order No. R-6649, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an amendment to Division Order No. R-6649 which authorized compulsory pooling in Section 33, Township 22 South, Range 36 East, Langlie Field, to extend to February 1, 1982, the commencement of drilling required in said order.

CASE 7294: Application of ARCO Oil and Gas Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Seven Rivers-Queen formation at a depth of 2996 feet to 3186 feet in its R. S. Crosby Well No. A-2 located in Unit L of Section 28, Township 25 South, Range 37 East, Langlie Mattix Pool.

CASE 7248: (Continued from June 3, 1981, Examiner Hearing)

Application of Inexco Oil Company for pool creation, special pool rules, and an oil discovery allowable, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Wolfcamp oil pool for its Federal 10 State Com. Well No. 1 located in Unit L of Section 10, Township 21 South, Range 26 East, and the promulgation of special rules therefor, including provisions for 160-acre spacing. Applicant further seeks the assignment of approximately 42,290 barrels of discovery allowable to the aforesaid well.

CASE 7280: (Continued from June 17, 1981, Examiner Hearing)

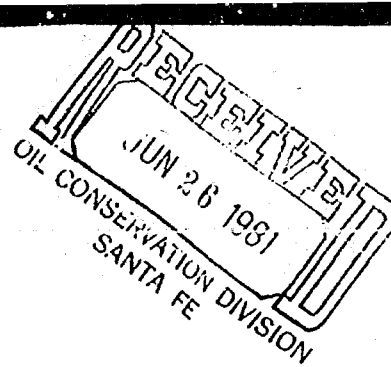
Application of Northwest Pipeline Corporation for a dual completion and downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks authority to dually complete its Rosa Unit Well No. 77 located in Unit L of Section 33, Township 31 North, Range 5 West, to produce gas from the Mesaverde formation and commingled Gallup and Dakota production through separate strings of tubing.

CASE 7295: Application of Gulf Oil Corporation for rescission of Division Order No. R-2429-C, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the rescission of Division Order No. R-2429-C which authorized 320-acre spacing units in the White City-Pennsylvanian Gas Pool. Applicant seeks the reinstatement of 640-acre spacing units in said pool with provision for 320-acre infill drilling and appropriate findings relative thereto.

CASE 7296: Application of J. Gregory Merriam and Robert L. Bayless for amendment of pool rules, contraction of the Otero-Gallup Pool, and extension of the Devils Fork-Gallup Associated Pool, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of the Devils Fork-Gallup Associated Pool Rules to provide for 160-acre spacing rather than 80 acres. Applicant further seeks the contraction of the Otero-Gallup Pool by the deletion of the following acreage: E/2 and NE/4 SW/4 of Section 2, Township 24 North, Range 6 West, and the E/2 of Section 35, Township 25 North, Range 6 West. Applicant seeks the extension of the Devils Fork-Gallup Associated Pool to include the following acreage: In Township 24 North, Range 6 West: All of Sections 2 and 3; S/2 and NE/4 of Section 4; S/2 of Section 5; S/2 of Section 6; and N/2 of Section 11. In Township 25 North, Range 6 West: SE/4 of Section 33; S/2 of Section 34; and all of Section 35.

CASE 7297: (This case will be dismissed.)

Application of Amoco Production Company for an NGPA determination, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir determination in the Morrow formation for its Alley Unit Well No. 1 in Unit E of Section 1, Township 19 South, Range 25 East.



June 23, 1981

1701 Chacoma Place NW
Albuquerque, NM 87104

Mr. Joe Ramey, Director
Oil Conservation Division
New Mexico Department of
Energy & Minerals
P.O. Box 2088
Santa Fe, NM 87501

Dear Mr. Ramey:

Re: Case No. 7296 - July 2, 1981

As Co-lessees and Working Interest Owners in the following described lands, we concur with the application by Mr. J. Gregory Merriam and Mr. Robert L. Bayless in regards to the extension of the Devils Fork Gallup Oil Field; elimination of certain lands from the Otero Gallup Oil Field; and authorization for 160 acre spacing units for the Gallup Formation on these lands:

Lease SF-080136
Township 25 North, Range 6 West
Rio Arriba County, New Mexico, N.M.P.M.

Section 21: E/2NE/4
Section 22: S/2 N/2, SE/4, E/2SW/4, NW/4SW/4
Section 23: W/2SW/4, N/2NW/4, SW/4NW/4
Section 26: W/2W/2
Section 27: E/2, SE/4NW/4, E/2SW/4
Section 34: N/2, SW/4, W/2SE/4, SE/4SE/4

Yours very truly,

Marguerite Liberman
Marguerite Liberman

BSL

Western Union
Telegram
7

WU AGT SANA

WU ABQ

1036AM

AYB002(1026)(4-014687S181)PD 06/30/81 1019

ICS IPMBNGZ CSP

SUSPECTED DUPLICATE

8173352591 TDBN FT WORTH TX 68 06-30 1019A EST

PMS JOE RAMEY, DIRECTOR ALL CONSERVATION DIVISION RPT DLY MGM, DLR

NEW MEXICO DEPT OF ENERGY AND MINERALS STATE CAPITOL BLDG

SANTA FE NM 87501

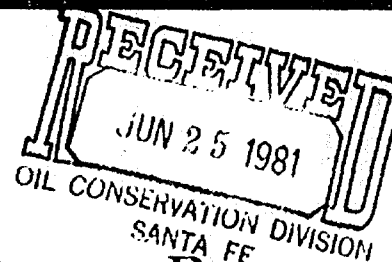
RE CASE 7296 SCHEDULE HEARING JULY 2, 1981 PLEASE BE ADVISED THAT THE
UNDERSIGNED KIMBELL OIL COMPANY AS CO-LESSEE WORKING INTEREST OWNER
AND PRESENT OPERATOR OF LANDS INCLUDED IN J GREGGORY MERRION AND
ROBERT L BAYLESS APPLICATION TO EXTEND THE DEVILS FORKS GALLUP OIL
FIELD THE ELIMINATION OF CERTAIN LANDS FROM THE OTERO GALLUP OIL
FIELD AND AUTHORIZATION FOR 160 ACRE SPACING UNITS FOR THE GALLUP
FORMATION IS CONCURRED TO.

KIMBELL OIL COMPANY, SAM W SIMS, JR.

3000 FT WORTH NATIONAL BANK BLDG

FT WORTH TX 76102

NNNN



ALBUQUERQUE NATIONAL BANK

WILLIAM A. EMIG
VICE PRESIDENT AND TRUST OFFICER

ALBUQUERQUE, NEW MEXICO

June 23, 1981

Mr. Joe Ramey, Director
Oil Conservation Division
New Mexico Department of
Energy & Minerals
P.O. Box 2088
Santa Fe, NM 87501

Dear Mr. Ramey:

Re: Case No. 7296 - July 2, 1981

As Co-lessees and Working Interest Owners in the following described lands, we concur with the application by Mr. J. Gregory Merrion and Mr. Robert L. Bayless in regards to the extension of the Devils Fork Gallup Oil Field; elimination of certain lands from the Otero Gallup Oil Field; and authorization for 160 acre spacing units for the Gallup Formation on these lands:

Lease SF-080136
Township 25 North, Range 6 West
Rio Arriba County, New Mexico, N.M.P.M.

Section 21: E/2NE/4
Section 22: S/2 N/2, SE/4, E/2SW/4, NW/4SW/4
Section 23: W/2SW/4, N/2NW/4, SW/4NW/4
Section 26: W/2W/2
Section 27: E/2, SE/4NW/4, E/2SW/4
Section 34: N/2, SW/4, W/2SE/4, SE/4SE/4

Yours very truly,
W. A. Emig
W. A. Emig

jm

P. O. BOX 1344 ALBUQUERQUE, NEW MEXICO 87103 TELEPHONE 505/765-2211

Joseph Grevey
1112 SIGMA CHI ROAD N.E.
ALBUQUERQUE, NEW MEXICO 87108
PHONE 243-6589

RECEIVED
JUN 23 1981
OIL CONSERVATION DIVISION
SANTA FE
June 20, 1981

Case 7296

Mr. Joe Ramey, Director
Oil Conservation Division
New Mexico Department of Energy & Minerals
P.O. Box 2088
Santa Fe, N.M. 87501

Re: Case # 7296
July 2, 1981

Dear Mr. Ramey:

We are co-lessees and working interest owners in the following described lands and as such we concur with the application by Mr. J. Gregory Merrion and Mr. Robert L. Bayless regarding the extention of the Devils Fork Gallup Oil Field; elimination of certain lands from the Otero Gallup Oil Field; and authorization for 160 acre spacing units for the Gallup Formation on these lands:

Lease SF-080136
Township 25 North, Range 6 West
Rio Arriba County, N.M.P.M.

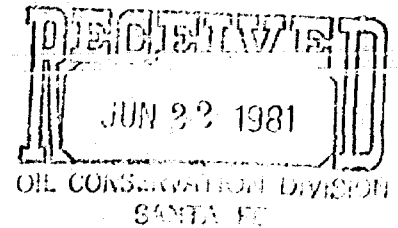
Section 21: $E\frac{1}{2}$ $NE\frac{1}{4}$
Section 22: $S\frac{1}{2}$ $N\frac{1}{2}$, $SE\frac{1}{4}$, $E\frac{1}{2}$ $SW\frac{1}{4}$, $NW\frac{1}{4}$ $SW\frac{1}{4}$
Section 23: $W\frac{1}{2}$ $SW\frac{1}{4}$, $N\frac{1}{2}$ $NW\frac{1}{4}$, $SW\frac{1}{4}$ $NW\frac{1}{4}$
Section 26: $W\frac{1}{2}$ $W\frac{1}{2}$
Section 27: $E\frac{1}{2}$, $SE\frac{1}{4}$ $NW\frac{1}{4}$, $E\frac{1}{2}$ $SW\frac{1}{4}$
Section 34: $N\frac{1}{2}$, $SW\frac{1}{4}$, $W\frac{1}{2}$ $SE\frac{1}{4}$, $SE\frac{1}{4}$ $SE\frac{1}{4}$

Very truly yours,

Joseph Grevey
Joseph Grevey

Jack Grevey
Jack Grevey

BLL



June 17, 1981

Mr. Joe Ramey, Director
Oil Conservation Division
New Mexico Department of Energy & Minerals
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Case # 7296
July 2, 1981

Dear Mr. Ramey;

We are Co-lessee's and Working Interest Owners in the following described lands and as such we concur with the application by Mr. J. Gregory Merrion and Mr. Robert L. Bayless in regards to the extension of the Devils Fork Gallup Oil Field; elimination of certain lands from the Otero Gallup Oil Field; and authorization for 160 acre spacing units for the Gallup Formation on these lands:

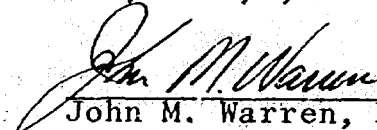
Lease SF-079139-A
Township 25 North, Range 6 West
Rio Arriba County, New Mexico, N.M.P.M.

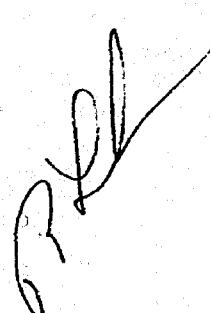
Section 23: SE $\frac{1}{4}$ SW $\frac{1}{4}$
Section 26: E $\frac{1}{2}$, E $\frac{1}{2}$ W $\frac{1}{2}$
Section 35: E $\frac{1}{2}$, N $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ NW $\frac{1}{4}$, S $\frac{1}{2}$ SW $\frac{1}{4}$

Lease SF-080136
Township 25 North, Range 6 West
Rio Arriba County, New Mexico, N.M.P.M.

Section 21: E $\frac{1}{2}$ NE $\frac{1}{4}$
Section 22: S $\frac{1}{2}$ N $\frac{1}{2}$, SE $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$, NW $\frac{1}{4}$ SW $\frac{1}{4}$
Section 23: W $\frac{1}{2}$ SW $\frac{1}{4}$, N $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ NW $\frac{1}{4}$
Section 26: W $\frac{1}{2}$ W $\frac{1}{2}$
Section 27: E $\frac{1}{2}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$
Section 34: N $\frac{1}{2}$, SW $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SE $\frac{1}{4}$

Very truly yours,


John M. Warren, President



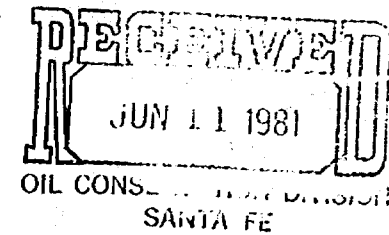
CAMPBELL, BYRD & BLACK, P.A.

LAWYERS

JACK M. CAMPBELL
HARL D. BYRD
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
WILLIAM G. WARDLE

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87501
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

June 11, 1981



Mr. Joe D. Ramey
Division Director
Oil Conservation Division
New Mexico Department of
Energy and Minerals
Post Office Box 2088
Santa Fe, New Mexico 87501

Case 7296

Re: Application of J. Gregory Merrion and Robert L. Bayless
for Amendment of the Special Pool Rules and Regulations
for the Devils Fork-Gallup Associated Pool, Including
160 Acre Spacing and Proration Units, and for the
Deletion of Certain Acreage from the Otero-Gallup
Associated Pool, Rio Arriba County, New Mexico.

Dear Mr. Ramey:

Enclosed in triplicate is the application of J. Gregory
Merrion and Robert L. Bayless in the above-referenced matter.

The applicants request that this matter be included on the
docket for the examiner hearing scheduled to be held on July
2, 1981.

Very truly yours,

A handwritten signature in dark ink, appearing to read "William F. Carr".

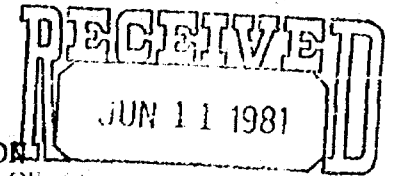
William F. Carr

WFC:lr

Enclosures

cc: Mr. J. Gregory Merrion
Mr. Robert L. Bayless

BEFORE THE
OIL CONSERVATION DIVISION
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS



IN THE MATTER OF THE APPLICATION OF)
J. GREGORY MERRION AND ROBERT L. BAYLESS)
FOR AMENDMENT OF THE SPECIAL POOL RULES)
AND REGULATIONS FOR THE DEVILS FORK-)
GALLUP ASSOCIATED POOL, INCLUDING 160)
ACRE SPACING AND PRORATION UNITS, AND FOR)
THE DELETION OF CERTAIN ACREAGE FROM THE)
OTERO-GALLUP POOL AND THE EXTENSION OF THE)
DEVILS FORK-GALLUP ASSOCIATED POOL, RIO)
ARRIBA COUNTY, NEW MEXICO.)

CASE 7296

A P P L I C A T I O N

COME NOW J. GREGORY MERRION and ROBERT L. BAYLESS, by and through their undersigned attorneys, and hereby make application to the New Mexico Oil Conservation Division for amendment of the Special Pool Rules and Regulations for the Devils Fork-Gallup Associated Pool, Rio Arriba County, New Mexico, including a provision for 160-acre oil well spacing and proration units. Applicant further seeks deletion of certain acreage from the Otero-Gallup Pool and the extension of the Devils Fork-Gallup Associated Pool, Rio Arriba County, New Mexico, and in support thereof would show:

1. That the Applicants, J. Gregory Merrion and Robert L. Bayless, are the owners of certain leases in the Devils Fork-Gallup Associated Pool.

2. That on January 28, 1958, the Oil Conservation Commission entered Order No. R-1119 creating the Otero-Gallup Pool.

3. That the Otero-Gallup Pool has been extended from time to time to include, in addition to other acreage, the following lands located in Rio Arriba County, New Mexico:

TOWNSHIP 24 NORTH, RANGE 6 WEST, NMPM
Section 2: E/2, NE/4 SW/4

TOWNSHIP 25 NORTH, RANGE 6 WEST, NMPM
Section 35: E/2

4. That the Otero-Gallup Pool is developed on 40-acre spacing and proration units under Oil Conservation Division Rule 104.

5. That present available information indicates that one well in the above-referenced portion of the Otero-Gallup Pool will economically and efficiently drain and develop a spacing and proration unit of 160 acres.

6. That the above-referenced acreage in the Otero-Gallup Pool should be deleted from said pool.

7. That on March 30, 1960, the Oil Conservation Commission entered Order R-1641 creating the Devils Fork-Gallup Associated Pool and adopting special rules therefor.

8. That on February 1, 1977, the Oil Conservation Commission, by Order No. R-5353, amended the Special Pool Rules for the Devils Fork-Gallup Associated Pool to provide, among other things, for 80-acre spacing and proration units for oil wells.

9. That present available information indicates that one well will economically and efficiently drain and develop an oil spacing and proration unit of 160 acres in the Devils Fork-Gallup Associated Pool and in certain acreage immediately offsetting said pool.

10. That the Devils Fork-Gallup Associated Pool should be extended to include the following acreage in Rio Arriba County, New Mexico:

TOWNSHIP 24 NORTH, RANGE 6 WEST, NMPM
Sections 2 & 3: All
Section 4: S/2, NE/4
Section 5: S/2
Section 6: S/2
Section 11: N/2

TOWNSHIP 25 NORTH, RANGE 6 WEST, NMPM
Section 33: SE/4
Section 34: S/2
Section 35: All

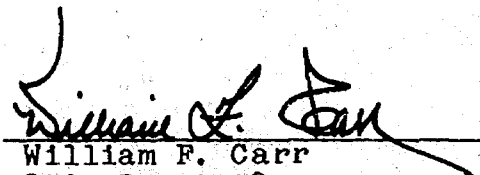
11. That in order to prevent waste which would result from the drilling of unnecessary wells and to provide for the orderly development of said pool, the Special Pool Rules for the Devils Fork-Gallup Associated Pool should be amended to provide for 160-acre oil spacing and proration units.

12. That granting this application will be in the best interest of conservation and the protection of correlative rights.

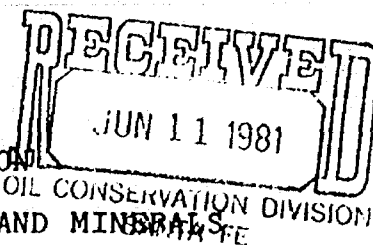
WHEREFORE, Applicants pray that this application be set for hearing before a Division Examiner on July 2, 1981 and that after notice and hearing as required by law, the Division enter its order deleting the requested acreage from the Otero-Gallup Pool, extending the Devils Fork-Gallup Associated Pool and amending the Special Rules and Regulations for the Devils Fork-Gallup Associated Pool to provide for 160-acre oil well spacing and proration units and granting such other and further relief as the Division deems proper in the premises.

Respectfully submitted,
CAMPBELL, BYRD & BLACK, P.A.

By


William F. Carr
P.O. Box 2208
Santa Fe, New Mexico 87501
Attorneys for
J. Gregory Merrion and
Robert L. Bayless

BEFORE THE
OIL CONSERVATION DIVISION
NEW MEXICO DEPARTMENT OF ENERGY AND MINES



IN THE MATTER OF THE APPLICATION OF)
J. GREGORY MERRION AND ROBERT L. BAYLESS)
FOR AMENDMENT OF THE SPECIAL POOL RULES)
AND REGULATIONS FOR THE DEVILS FORK-)
GALLUP ASSOCIATED POOL, INCLUDING 160)
ACRE SPACING AND PRORATION UNITS, AND FOR)
THE DELETION OF CERTAIN ACREAGE FROM THE)
OTERO-GALLUP POOL AND THE EXTENSION OF THE)
DEVILS FORK-GALLUP ASSOCIATED POOL, RIO)
ARRIBA COUNTY, NEW MEXICO.)

CASE 7296

A P P L I C A T I O N

COME NOW J. GREGORY MERRION and ROBERT L. BAYLESS, by and through their undersigned attorneys, and hereby make application to the New Mexico Oil Conservation Division for amendment of the Special Pool Rules and Regulations for the Devils Fork-Gallup Associated Pool, Rio Arriba County, New Mexico, including a provision for 160-acre oil well spacing and proration units. Applicant further seeks deletion of certain acreage from the Otero-Gallup Pool and the extension of the Devils Fork-Gallup Associated Pool, Rio Arriba County, New Mexico, and in support thereof would show:

1. That the Applicants, J. Gregory Merrion and Robert L. Bayless, are the owners of certain leases in the Devils Fork-Gallup Associated Pool.

2. That on January 28, 1958, the Oil Conservation Commission entered Order No. R-1119 creating the Otero-Gallup Pool.

3. That the Otero-Gallup Pool has been extended from time to time to include, in addition to other acreage, the following lands located in Rio Arriba County, New Mexico:

TOWNSHIP 24 NORTH, RANGE 6 WEST, NMPM
Section 2: E/2, NE/4 SW/4

TOWNSHIP 25 NORTH, RANGE 6 WEST, NMPM
Section 35: E/2

4. That the Otero-Gallup Pool is developed on 40-acre spacing and proration units under Oil Conservation Division Rule 104.

5. That present available information indicates that one well in the above-referenced portion of the Otero-Gallup Pool will economically and efficiently drain and develop a spacing and proration unit of 160 acres.

6. That the above-referenced acreage in the Otero-Gallup Pool should be deleted from said pool.

7. That on March 30, 1960, the Oil Conservation Commission entered Order R-1641 creating the Devils Fork-Gallup Associated Pool and adopting special rules therefor.

8. That on February 1, 1977, the Oil Conservation Commission, by Order No. R-5353, amended the Special Pool Rules for the Devils Fork-Gallup Associated Pool to provide, among other things, for 80-acre spacing and proration units for oil wells.

9. That present available information indicates that one well will economically and efficiently drain and develop an oil spacing and proration unit of 160 acres in the Devils Fork-Gallup Associated Pool and in certain acreage immediately offsetting said pool.

10. That the Devils Fork-Gallup Associated Pool should be extended to include the following acreage in Rio Arriba County, New Mexico:

TOWNSHIP 24 NORTH, RANGE 6 WEST, NMPM
Sections 2 & 3: All
Section 4: S/2, NE/4
Section 5: S/2
Section 6: S/2
Section 11: N/2

TOWNSHIP 25 NORTH, RANGE 6 WEST, NMPM

Section 33: SE/4

Section 34: S/2

Section 35: All

11. That in order to prevent waste which would result from the drilling of unnecessary wells and to provide for the orderly development of said pool, the Special Pool Rules for the Devils Fork-Gallup Associated Pool should be amended to provide for 160-acre oil spacing and proration units.

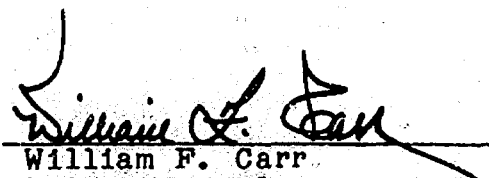
12. That granting this application will be in the best interest of conservation and the protection of correlative rights.

WHEREFORE, Applicants pray that this application be set for hearing before a Division Examiner on July 2, 1981 and that after notice and hearing as required by law, the Division enter its order deleting the requested acreage from the Otero-Gallup Pool, extending the Devils Fork-Gallup Associated Pool and amending the Special Rules and Regulations for the Devils Fork-Gallup Associated Pool to provide for 160-acre oil well spacing and proration units and granting such other and further relief as the Division deems proper in the premises.

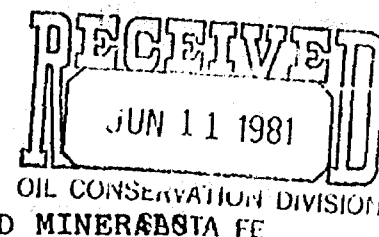
Respectfully submitted,

CAMPBELL, BYRD & BLACK, P.A.

By


William F. Carr
P.O. Box 2208
Santa Fe, New Mexico 87501
Attorneys for
J. Gregory Merrion and
Robert L. Bayless

BEFORE THE
OIL CONSERVATION DIVISION
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS



IN THE MATTER OF THE APPLICATION OF)
J. GREGORY MERRION AND ROBERT L. BAYLESS)
FOR AMENDMENT OF THE SPECIAL POOL RULES)
AND REGULATIONS FOR THE DEVILS FORK-)
GALLUP ASSOCIATED POOL, INCLUDING 160)
ACRE SPACING AND PRORATION UNITS, AND FOR)
THE DELETION OF CERTAIN ACREAGE FROM THE)
OTERO-GALLUP POOL AND THE EXTENSION OF THE)
DEVILS FORK-GALLUP ASSOCIATED POOL, RIO)
ARRIBA COUNTY, NEW MEXICO.)

CASE 7296

A P P L I C A T I O N

COME NOW J. GREGORY MERRION and ROBERT L. BAYLESS, by and through their undersigned attorneys, and hereby make application to the New Mexico Oil Conservation Division for amendment of the Special Pool Rules and Regulations for the Devils Fork-Gallup Associated Pool, Rio Arriba County, New Mexico, including a provision for 160-acre oil well spacing and proration units. Applicant further seeks deletion of certain acreage from the Otero-Gallup Pool and the extension of the Devils Fork-Gallup Associated Pool, Rio Arriba County, New Mexico, and in support thereof would show:

1. That the Applicants, J. Gregory Merrion and Robert L. Bayless, are the owners of certain leases in the Devils Fork-Gallup Associated Pool.
2. That on January 28, 1958, the Oil Conservation Commission entered Order No. R-1119 creating the Otero-Gallup Pool.
3. That the Otero-Gallup Pool has been extended from time to time to include, in addition to other acreage, the following lands located in Rio Arriba County, New Mexico:

TOWNSHIP 24 NORTH, RANGE 6 WEST, NMPM
Section 2: E/2, NE/4 SW/4

TOWNSHIP 25 NORTH, RANGE 6 WEST, NMPM
Section 35: E/2

4. That the Otero-Gallup Pool is developed on 40-acre spacing and proration units under Oil Conservation Division Rule 104.

5. That present available information indicates that one well in the above-referenced portion of the Otero-Gallup Pool will economically and efficiently drain and develop a spacing and proration unit of 160 acres.

6. That the above-referenced acreage in the Otero-Gallup Pool should be deleted from said pool.

7. That on March 30, 1960, the Oil Conservation Commission entered Order R-1641 creating the Devils Fork-Gallup Associated Pool and adopting special rules therefor.

8. That on February 1, 1977, the Oil Conservation Commission, by Order No. R-5353, amended the Special Pool Rules for the Devils Fork-Gallup Associated Pool to provide, among other things, for 80-acre spacing and proration units for oil wells.

9. That present available information indicates that one well will economically and efficiently drain and develop an oil spacing and proration unit of 160 acres in the Devils Fork-Gallup Associated Pool and in certain acreage immediately offsetting said pool.

10. That the Devils Fork-Gallup Associated Pool should be extended to include the following acreage in Rio Arriba County, New Mexico:

TOWNSHIP 24 NORTH, RANGE 6 WEST, NMPM
Sections 2 & 3: All
Section 4: S/2, NE/4
Section 5: S/2
Section 6: S/2
Section 11: N/2

TOWNSHIP 25 NORTH, RANGE 6 WEST, NMPM

Section 33: SE/4

Section 34: S/2

Section 35: All

11. That in order to prevent waste which would result from the drilling of unnecessary wells and to provide for the orderly development of said pool, the Special Pool Rules for the Devils Fork-Gallup Associated Pool should be amended to provide for 160-acre oil spacing and proration units.

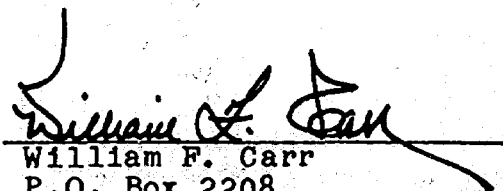
12. That granting this application will be in the best interest of conservation and the protection of correlative rights.

WHEREFORE, Applicants pray that this application be set for hearing before a Division Examiner on July 2, 1981 and that after notice and hearing as required by law, the Division enter its order deleting the requested acreage from the Otero-Gallup Pool, extending the Devils Fork-Gallup Associated Pool and amending the Special Rules and Regulations for the Devils Fork-Gallup Associated Pool to provide for 160-acre oil well spacing and proration units and granting such other and further relief as the Division deems proper in the premises.

Respectfully submitted,

CAMPBELL, BYRD & BLACK, P.A.

By


William F. Carr
P.O. Box 2208
Santa Fe, New Mexico 87501
Attorneys for
J. Gregory Merrion and
Robert L. Bayless

ROUGH

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

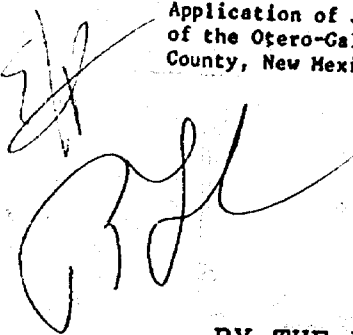
IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 7296

Order No. P-5353-6

Application of J. Gregory Merriam and Robert L. Bayless for amendment of pool rules, contraction of the Otero-Gallup Pool, and extension of the Devils Fork-Gallup Associated Pool, Rio Arriba County, New Mexico.

NOMENCLATURE



ORDER OF THE DIVISION



BY THE DIVISION:

This cause came on for hearing at 9 a.m. on July 2,
19 81, at Santa Fe, New Mexico, before Examiner R. L. Stamets.

NOW, on this _____ day of _____, 19____, the
Division Director, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

(1) That due public notice having been given as required
by law, the Division has jurisdiction of this cause and the
subject matter thereof.

(2) That the applicants, J. Gregory Merriam and Robert L. Bayless, seek

the amendment of the Devils Fork-Gallup Associated Pool Rules to provide for 160-acre spacing rather than 80 acres.

(3) That the applicants further seek the contraction of the Otero-Gallup Pool by the deletion of the following acreage: E/2 and NE/4 SW/4 of Section 2, Township 24 North, Range 6 West, and the E/2 of Section 35, Township 25 North, Range 6 West, and the concomitant extension of the Devils Fork-Gallup Associated Pool to include the following acreage: In Township 24 North, Range 6 West: All of Sections 2; ^{N/2 and SE/4 of Section} 3; S/2 and NE/4 of Section 4; S/2 of Section 5; ^{SE/4} ~~S/2~~ of Section 6; and N/2 of Section 11. In Township 25 North, Range 6 West: SE/4 of Section 33; S/2 of Section 34; and all of Section 35.

(4) That ^{while} ~~will~~ the special pool rules for the Devils Fork-Gallup Associated Pool have provided for 80-acre spacing and proration units said pool has in fact been developed essentially on a 160-acre spacing pattern.

(5) That available pressure data and the results of "infill" drilling demonstrate that wells in the Devils Fork Gallup Associated Pool are capable of efficiently and effectively draining 160 acres.

(6) That the proposed amendment of The Devils Fork-Gallup Associated Pool spacing rules should be approved.

(7) That The Devils Fork-Gallup Associated Pool and the Otero-Gallup Pool are joined by a common boundary.

(8) That the acreage proposed for deletion from the Otero-Gallup Pool in Finding No. (3) above may more properly be developed and produced as a part of the Devils Fork-Gallup Associated Pool.

(9) That the pool ^{proposed} contraction and pool extension ^{described} ~~proposed~~ in Finding No. (3) above should be approved.

(10) That in addition, the Devils Fork-Gallup Associated Pool should be expanded to include therein the NE/4 of Section 10, Township 24 North, Range 6 West, NMPM, Rio Arriba County, New Mexico.

(11) That the proposed amendment of the Devils Fork-Gallup Associated Pool Rules and the pool contraction and pool extension described in the previous findings will not result in waste and will not violate correlative rights.

IT IS THEREFORE ORDERED:

(1) That Rule 2 of the Special Rules and Regulations for the Devils Fork-Gallup Associated Pool as contained in Division Order No. R-5353, as amended, is hereby amended to read in its entirety as follows:

"RULE 2. (a) a standard oil proration unit shall be 160 acres. A standard gas proration unit shall be 320 acres."

(2) That the Otero-Gallup Pool as previously defined and described in Rio Arriba County, New Mexico, is hereby contracted by the deletion of the following acreage: E/2 and NE/4 SW/4 of Section 2, Township 24 North, Range 6 West, NMPM, and the E/2 of Section 35, Township 25 North, Range 6 West, NMPM.

(3) That the Devils Fork-Gallup Associated Pool as previously defined and described in Rio Arriba County, New Mexico, is hereby extended to include the following acreage: All of Sections ^{N/2 and SE/4 of} 2, and 3; S/2 and NE/4 of Section 4; S/2 of Section 5; ^{SE/4} S/2 of Section 6; NE/4 of Section 10; and the N/2 of Section 11 all in Township 24 North, Range 6 West, NMPM, and the SE/4 of Section 33; S/2 of Section 34; and all of Section 35, all in Township 25 North, Range 6 West, NMPM.

(4) That the effective date of this order and the pool rule amendment, pool contraction and pool extension contained herein shall be August 1, 1981.

(5) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.