

CASE 3510: Application of UNITED
STATES SMELTING REFINING & MINING
CO. for an unorthodox gas well loc.

CASE No.
3510

Application,
TRANSCRIPTS,
SMALL Exhibits
ETC.

State of New Mexico
Oil Conservation Commission



STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

January 9, 1967

Re: Case No. 3510
Order No. R-3172
Applicant:

U. S. SMELTING Refining &
Mining Co.

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

A. L. Porter, Jr.
A. L. PORTER, Jr.
Secretary-Director

Hobbs OCC x
 Artesia OCC
 Aztec OCC
 OTHER

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 3510
Order No. R-3172

APPLICATION OF UNITED STATES SMELTING
REFINING AND MINING COMPANY FOR AN
UNORTHODOX GAS WELL LOCATION, LEA COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on January 4, 1967,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 9th day of January, 1967, the Commission, a
quorum being present, 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 Commission has jurisdiction of this cause and the subject
matter thereof.

(2) That the applicant, United States Smelting Refining and
Mining Company, seeks approval of an unorthodox location for its
Federal Well No. 2, located 760 feet from the South line and 2080
feet from the West line of Section 11, Township 20 South, Range 34
East, NMPM, Lea-Pennsylvanian Gas Pool, Lea County, New Mexico.

(3) That the subject well was drilled at the above-described
non-standard location inadvertently.

(4) That approval of the subject application will prevent
waste and will not violate correlative rights.

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CASE No. 3510

Order No. R-3172

IT IS THEREFORE ORDERED:

(1) That an unorthodox location is hereby approved for the United States Smelting Refining and Mining Company Federal Well No. 2, located 760 feet from the South line and 2080 feet from the West line of Section 11, Township 20 South, Range 34 East, NMPM, Lea-Pennsylvanian Gas Pool, Lea County, New Mexico.

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

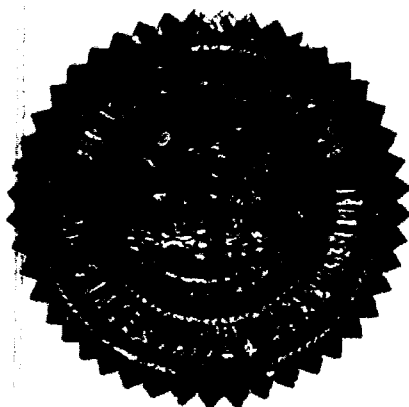
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


DAVID F. CARGO, Chairman


GUYTON B. HAYS, Member


A. L. PORTER, Jr., Member & Secretary



esr/



UNITED STATES SMELTING REFINING AND MINING COMPANY

OIL OPERATIONS
P. O. BOX 1877
MIDLAND, TEXAS 79701
November 29, 1966

*2000
3510*

New Mexico Oil Conservation Commission
Post Office Box 2088
Santa Fe, New Mexico

25 Nov 30 1966

Re: Application for Unorthodox Well
Location - United States Smelting
Refining and Mining Company
Federal 11-20-34 No. 2 Well
Lea Pennsylvanian Pool
Lea County, New Mexico

Gentlemen:

United States Smelting Refining and Mining Company requests a hearing before an Examiner to hear its application for an unorthodox well location. United States Smelting Refining and Mining Company staked and is drilling its Federal 11-20-34 No. 2 well, 2080 feet from the west line and 760 feet from the south line of Section 11, Township 20 South, Range 34 East, Lea County, New Mexico.

The above location falls in the category of an unorthodox location under Paragraph II, Gas Wells, Section (a) under subtitle C, Acreage and Well Location Requirements for Development Wells. Said rule requires that a well be located no closer than 660 feet from any outer boundary. Operator was unable to drill in the center of a quarter due to the fact that there was an old dry hole. Well was inadvertently staked 140 feet northeast instead of north.

We, therefore, respectfully request that the Commission set our application up for a hearing before an Examiner at your earliest convenience.

Yours very truly,

T. B. Garber
T. B. Garber
Manager of Oil Operations

cc: United States Geological Survey
Hobbs, New Mexico

Marathon Oil Company
Midland, Texas

Texaco Inc.
Midland, Texas

OLD:bh

DOCKET MAILED

Date *12-22-66*
A

DOCKET: EXAMINER HEARING - WEDNESDAY, NOVEMBER 1, 1966

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or
Elvis A. Utz, Alternate Examiner:

CASE 3439: (This case continued from the October 11, 1966 examiner hearing
and will be dismissed).

In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Scanlon and Shepard and all other interested parties to show cause why the following Scanlon and Shepard wells in Township 20 North, Range 9 West, McKinley County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program: Santa Fe Pacific Railroad Lease: Wells Nos. 1, 3, 4, 5, 7, and 8, all in Unit P, No. 10 in Unit H, and No. 2 in Unit L, all in Section 21; Well No. 6 in Unit L and Nos. 9 and 12 in Unit M of Section 22 and Nos. 11 and 13 in Unit D of Section 27, Ray Well No. 1 in Unit C, State Wells Nos. 1 and 2 in Unit A, and State K-1883 No. 1 in Unit B, all in Section 28.

CASE 3440: (This case continued from the October 11, 1966, examiner hearing and will be dismissed).

In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Osborn & Weir, and all interested parties, to show cause why the following Osborn & Weir wells in Township 20 North, Range 9 West, McKinley County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program: Scanlon Well No. 17 in Unit F of Section 21 and Nos. 14 and 18 in Unit M of Section 22, Scanlon Ray Wells No. 5 in Unit A and No. 6 in Unit C of Section 28.

CASE 3441: (This case continued from the October 11, 1966, examiner hearing and will be dismissed).

In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit LaMar Trucking, Inc., and all interested parties, to show cause why their State Well No. 1 located 495 feet from the North and West lines of Section 28, Township 20 North, Range 9 West, McKinley County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 3506: Application of Standard Oil Company of Texas for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Maljamar-Grayburg Unit Area comprising 3,441 acres, more or less, of Federal, State and Fee lands in

Docket No. 1-67

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(Case 3506 continued)

Sections 2, 3, 4, 8, 9, 10, 11, 14, and 15, Township 17 South, Range 32 East, Lea County, New Mexico.

CASE 3507: Application of Standard Oil Company of Texas for a waterflood expansion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to expand its Maljamar-Grayburg Waterflood Project in its proposed Maljamar-Grayburg Unit Area by the injection of water into the Grayburg formation through thirteen additional injection wells. Applicant also seeks administrative procedure for further expansion of said project at a later date.

CASE 3508: Application of Phillips Petroleum Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the approval of the Vacuum Abo Unit Area, comprising 3640 acres, more or less, of State and Fee lands in Townships 17 and 18 South, Range 35 East, Lea County, New Mexico.

CASE 3509: Application of Phillips Petroleum Company for a pressure maintenance project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a pressure maintenance project in its Vacuum-Abo Unit by the injection of gas into the Abo Reef formation through two wells located in Section 33, Township 17 South, Range 35 East, and Section 4, Township 18 South, Range 35 East, Vacuum-Abo Reef Pool, Lea County, New Mexico. Applicant further seeks the promulgation of special rules to govern operation of said pressure maintenance project.

CASE 3278 (Reopened)

In the matter of Case No. 3278 being reopened pursuant to the provisions of Order No. R-2944, which order established 80-acre spacing units for the Stateline-Ellenburger Pool, Lea County, New Mexico, for a period of eighteen months. All interested parties may appear and show cause why said pool should not be developed on 40-acre spacing units.

CASE 3277 (Reopened)

In the matter of Case No. 3277 being reopened to consider the necessity for the continuance of the special allowables assigned to wells in the Stateline-Ellenburger Pool, Lea County, New Mexico.

- CASE 3510: Application of United States Smelting Refining and Mining Company for an unorthodox gas well location, Lea County, New Mexico. Applicant in the above-styled cause, seeks approval for its Federal Well No. 2 at an unorthodox location 760 feet from the South line and 2080 feet from the West line of Section 11, Township 20 South, Range 34 East, Lea-Pennsylvanian Gas Pool, Lea County, New Mexico.
- CASE 3511: Application of Thomas A. Dugan for an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Navajo Federal Well No. 1 completed in the Gallup formation at an unorthodox gas well location 660 feet from the North and West lines of Section 26, Township 28 North, Range 15 West, San Juan County, New Mexico, said well to be dedicated to the NW/4 of said Section 26.
- CASE 3512: Application of Pubco Petroleum Corporation for force-pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in the Basin-Dakota Gas Pool underlying the S/2 of Section 21, Township 26 North, Range 6 West, Rio Arriba County, New Mexico, and allocating well costs including a risk factor for a well to be drilled on said spacing unit.
- CASE 3513: Application of Midwest Oil Corporation for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the Vada-Pennsylvanian Pool, Lea County, New Mexico, including a provision for 160-acre proration units.
- CASE 3514: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider suspending the scheduled cancellation of underproduction which accrued to certain wells in the Eumont Gas Pool during the first six months of 1966 and which was not made-up during the second six months period and was therefore subject to cancellation January 1, 1967. The underproduction being considered for suspension of cancellation accrued as a result of the sale of the connecting pipeline for said wells from an intra-state company to an inter-state company resulting in necessity for FPC approval of sales. The wells, which were shut-in and not produced during the period FPC approval was being obtained, are certain wells formerly connected to Southern Union Gas Company and owned by the following operators: Conoco, He-Tex, Penrose, Tidewater, Fields, Atlantic, Skelly, Clark & Christie, Aztec, and Great Western Drilling.

dearnley-meier reporting

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY CCNY, CONVENTIONS

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
January 4, 1967

IN THE MATTER OF:

Application of United States
Smelting Refining and Mining
Company for an unorthodox gas
well location, Lea County,
New Mexico.

Case No. 3510

BEFORE:

Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

MR. NUTTER: Hearing will come to order, please.
First case this afternoon will be Case 3510.

MR. HATCH: Case 3510: Application of United States Smelting Refining and Mining Company for an unorthodox gas well location, Lea County, New Mexico.

MR. KELLY: Booker Kelly of White, Gilbert, Koch & Kelly on behalf of Applicant. I have one witness and ask that he be sworn.

(Witness sworn)

RAYMOND JACOBY, called as a witness, having been first duly sworn on oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KELLY:

Q Would you state your name, position, and employer, please?

A My name is Raymond Jacoby, United States Smelting Refining and Mining Company, Exploration Geologist.

MR. NUTTER: Would you spell your last name?

A J-a-c-o-b-y.

Q (By Mr. Kelly) Have you previously testified as an expert witness before this Commission?

A No, I haven't.

Q Would you give the Examiner a brief resume of your background and education?

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A Background of since '52 to '57 an Exploration Geologist for the Superior Oil Company and from '57 to the present time Exploration Geologist for United States Smelting.

Q Has part of your duties been active work in the field where the subject well is located?

A Yes, sir.

MR. KELLY: Are the witness's qualifications acceptable?

MR. NUTTER: Yes, they are.

(Whereupon, Applicant's Exhibit No. 1 marked for identification)

Q Referring to what has been marked Applicant's Exhibit No. 1, would you briefly state what you seek by this application?

A Myself?

Q That's Exhibit No. 1.

A I am seeking exception to Rule 104 C 2a unorthodox location of a well being less than six sixty from the lease line.

Q On Exhibit 1 would you point out where the actual well is located and where it should have been located and the extent of deviation? Would it be fair to say that the reason why it had to be moved to begin with --

A At the normal 40-acre location there was a dry hole

dug there and the well had to be moved to get away from the dry hole and as you will notice on Exhibit 1, the recommended location was north of the old dry hole and then in the process of staking it was mistakenly staked 100 feet east also, so the well is actually staked 100 feet north and 100 feet east of a normal six sixty from the south location and nineteen eighty from the west location.

Q Now, this error in staking, how did it come about? Was it due to a misinterpretation of the rules?

A That's about exactly what it was. The thing was recommended to drill. It was turned to the production department to be staked and the production clerk inadvertently moved it both directions instead of due north.

Q Now, so the total extent of deviation would be 100 east and 100 north, right?

A Right, and it would be on a diagonal of 141 feet northeast of the center.

Q Because of the old well, it would have been necessary to have an unorthodox location, right, in this case?

A Right.

Q How close to that old well are you?

A Actually, we are within 140 feet from our well to it, but the pipe is still sticking up on the pad. It's on the southwest corner of the pad.

Q So really, you are not any farther away than you would have to be to avoid that well?

A No.

Q It's the easterly direction?

A That's right.

Q Now, what is the present status of the well?

A That's drilling below 12,000 feet.

Q Was this error caught before or after drilling commenced?

A It was after drilling was commenced.

Q Was the application filed shortly thereafterwards?

A Yes.

Q Now, referring again to Exhibit 1, could you describe the ownership that adjoins the well?

A The Marathon Oil Company operates the Lea-Federal Unit to the east and technically, would be the only one that would be concerned with the location. Section 1 is owned by Texaco; 3 and 10 by Greathouse, Pierce & Davis and the map doesn't show the ownership of 2 and 15.

Q How about the northwest right above you?

A That is our acreage there. The northwest is Smelting acreage and it has a gas well on it.

Q So the only operator that you are crowding is Marathon?

A Right.

Q Has Marathon been contacted about this application?

A They were called on the phone and they said they would not contest the application and it was also followed by a letter to them.

(Whereupon, Applicant's Exhibit 2 marked for identification.)

Q Now, going to what has been marked Exhibit 2, would you refer to that and explain that to the Examiner?

A Mainly the Exhibit 2 shows that really the drainage pattern of that Penn sand is not going to be effective to relatively anyone. It isn't a blanket sand. It's producing from different depths within the different sand lenses within the sand and technically one would have little bearing on the other as far as drainage is concerned.

Q So the fact that you have moved up structure, in your opinion, would not have any significant effect to correlative rights?

A As you will notice on Exhibit 1, we did possibly have a little advantage to structure, but very little, but structure would also in that Penn sand have very little bearing.

Q In your opinion, it would not have any significant effect to correlative rights?

A No.

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Q And the only operator that would have been effected would be Marathon and they have agreed to the granting of this application?

A Right.

Q What is the cost of this well that's now drilling?

A It's scheduled for thirteen three and it would be near a quarter of a million dollars.

Q Now, in your professional opinion, would you have recommended drilling this well even if you had gone west 100 feet rather than east?

A Yes, as you will also notice on Exhibit 1, that was prepared in '65 and you can see the recommended location at that time.

Q So the actual location wasn't a factor in the drilling decision?

A No.

Q In summation, there was simply an unintentional mistake by the production clerk?

A That's exactly what it was.

Q In your opinion, would the granting of this application not adversely affect correlative rights and would promote efficient production of the gas in place?

A Yes, sir.

Q Were Exhibits 1 and 2 prepared by you or under your

supervision?

A By me.

MR. KELLY: I move the admission of Exhibits 1 and 2.

MR. NUTTER: Exhibits 1 and 2 will be admitted in evidence.

(Whereupon, Applicant's Exhibits 1 and 2 admitted in evidence)

MR. KELLY: I have nothing further.

BY MR. NUTTER:

Q How deep is that old dry hole?

A I don't know exactly, but it's a little better than 3,000 feet. I don't have the exact depth on it. It's a relatively old well drilled by Texaco.

Q What was this proposed location that you had north of the dry hole?

A As for depth?

Q Footage description?

A Actually, I don't know whether it's marked exactly, but it was 100 feet north.

Q And this well, I presume, is twenty eighty from the west?

A Yes, sir.

Q The dry hole is nineteen eighty from the west and

this proposed location would have been nineteen eighty and seventeen sixty from the south?

A Yes, sir.

Q And your actual location is twenty eighty and seven sixty?

A Yes, sir.

Q This is oil, isn't it, in the Lea-Penn Oil Pool?

A That's a gas pool, the Penn is. Now, there is other oil-productive zones there. The Devonian-Bona Springs are both oil-productive and the well to the north is dually completed.

Q This is 160-acre Pennsylvanian Gas Pool?

A Yes, sir, it was an established pool before the new rules.

MR. NUTTER: Are there any further questions?

He may be excused.

(Witness excused)

MR. NUTTER: Do you have anything further, Mr. Kelly?

MR. KELLY: Nothing further.

MR. NUTTER: Does anyone have anything further?

We will take the case under advisement.

dearnley-meier reporting service, inc.

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STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, KAY EMBREE, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission Examiner at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

Kay Embree
Court Reporter

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 3570 heard by me on 1-4, 1967.

V. J. [Signature], Examiner
New Mexico Oil Conservation Commission