

CASE 5955: PENROC OIL CORPORATION FOR
AN UNORTHODOX GAS WELL LOCATION, EDDY
COUNTY, NEW MEXICO

Case Number

5955

Application

Transcripts.

Small Exhibits

ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
8 June 1977

IN THE MATTER OF:

Application of Penroc Oil Corporation
for an unorthodox gas well location,
Eddy County, New Mexico.

CASE
5955

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For New Mexico Oil
Conservation Commission:

Lynn Teschendorf, Esq.
Legal Counsel for the Commission
State Land Office Building
Santa Fe, New Mexico

For the Applicant:

Tom Kellahin, Esq.
KELLAHIN & FOX
500 Don Gaspar
Santa Fe, New Mexico

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General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

I N D E X

STERLING TALLEY

Direct Examination by Mr. Kellahin	3
Cross Examination by Mr. Nutter	9

E X H I B I T S

Penroc Exhibit Number One, Map
Penroc Exhibit Number Two, Logs

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1 MR. NUTTER: Case Number 5955.

2 MS. TESCHENDORF: Case 5955, Application of Penroc
3 Oil Corporation for an unorthodox gas well location, Eddy
4 County, New Mexico.

5 MR. KELLAHIN: Tom Kellahin of Kellahin & Fox,
6 appearing on behalf of the Penroc Oil Corporation, the appli-
7 cant, and I have one witness to be sworn.

8 (THEREUPON, the witness was duly sworn.)

9
10 STERLING J. TALLEY

11 called as a witness, having been first duly sworn, was ex-
12 amined and testified as follows:

13
14 DIRECT EXAMINATION

15 BY MR. KELLAHIN:

16 Q Please state your name, by whom you're employed,
17 and in what capacity.

18 A My name is Sterling Talley, President of Penroc
19 Oil Corporation, Midland, Texas.

20 Q What is your area of expertise, Mr. Talley?

21 A I'm a graduate geological engineer of the Univer-
22 sity of Oklahoma.

23 Q And have you previously testified before this
24 Commission and had your qualifications accepted and made a
25 matter of record?

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1 A Yes, I have, on several occasions.

2 MR. KELLAHIN: If the Examiner please, are the
3 witness' qualifications acceptable?

4 MR. NUTTER: Yes, they are.

5 Q (Mr. Kellahin continuing.) Mr. Talley, will you
6 refer to Exhibit Number One, identify it, and tell us what
7 you're seeking to accomplish?

8 A Exhibit Number One is a map on a four inch equal
9 to one mile scale, covering parts of Angel Ranch and parts of
10 Burton Flat North gas areas in Township 20 South, and a por-
11 tion of the Ranges 27 and 28 East. It shows the ownership;
12 it also shows all the wells that have been spotted that were
13 drilled to Wolfcamp or deeper. They have been double-circled
14 and the color code in the legend indicates that those in --
15 colored inside the outer circle are Wolfcamp completions.
16 The orange are Canyon; the red is Atoka, and of course, the
17 yellow are all Morrow completions.

18 We also see that this map has been contoured on
19 what I call the base of the Morrow limestone, which also is
20 the top of the Morrow -- or the shale-sandstone section.
21 You'll notice that those contours run essentially northeast-
22 southwest and the dip is to the southeast, interrupted oc-
23 casionally by a few noses. In the corresponding low areas
24 that exist between those noses you'll notice also that be-
25 ginning at the north central part of the map there is a red

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1 dashed line that goes southward through one, two, three, four,
2 five six wells. This is the line of cross-section that we
3 will be looking at on Exhibit Two. The little jigbob down at
4 the bottom there was necessary because the Yates well in the
5 south half of 19 is unavailable because it was a recent com-
6 pleted well.

7 Also you'll note that in Section 18, the east half
8 has been circumscribed in yellow color. That would be the
9 proration unit that we would ask to be put behind the unor-
10 thodox location, that we have indicated there as the proposed
11 location of being in the southwest quarter of the northeast --
12 southeast quarter of Section 18, and also, a lineage measure-
13 ment, 1980 feet from the east line; 650 feet from the south
14 line.

15 Q What is the history behind the proration unit
16 consisting of the west half of Section 18?

17 A Well, some time ago Penroc drilled the well called
18 the Number One Fokey-Federal in the southeast of the northwest.
19 It was drilled to the Morrow and completed in the upper
20 Morrow, the west half of that section being put behind it as
21 the proration unit. It was communitized and the reason it
22 was, of course, there were three leases involved in this
23 Section 18 running horizontally east-west. The one lease was
24 the north half north half. The second lease, the south half
25 of the north half, and the third lease being all the south

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1 half of 18.

2 Q Would you say those again, please?

3 A The north half north half.

4 Q Okay.

5 A South half north half, and the south half.

6 Q All right.

7 A That west half, as I say, was put behind the Foxey-
8 Federal in a communitized fashion, and that being the case,
9 of course, the reason it was done was there were a couple of
10 leases in there that were due to expire if this was a dry
11 hole. Fortunately, it was not.

12 Q What would be the standard locations for your pro-
13 posed proration unit on the east half of 18?

14 A Well, the standard locations as set out by the
15 State Rules and Regulations on the east half would be the
16 inner forties, being one of four locations that could be
17 drilled.

18 Q Your proposed unorthodox location is at what footage
19 from the east and south lines?

20 A Well, as I stated awhile ago, it's 1980 from the
21 east and 650 from the south.

22 Q All right. Please refer to Exhibit Number Two and
23 identify it.

24 A Yes. Exhibit Number Two is the aforementioned
25 cross section that runs in the direction of the red dashed

1 line north to south on Exhibit One. We've shown only the
2 lower portion of those logs, primarily to show from above
3 the Morrow section on down to TD. They are not on a horizontal
4 scale, with the vertical scale being two and one-half inches
5 being equal to one hundred feet.

6 Up near the top you'll see in a Gamma Ray curve
7 a portion of it has been colored red and is merely for cor-
8 relation purposes; then coming on down to the Morrow line,
9 which is colored blue in the Gamma Ray curve side of the log,
10 and, of course, this cross-section in all these logs are hung
11 on the base of the Morrow line as a reference plane.

12 Then, proceeding on down you see that the more
13 developed, or the better developed sands in the upper end of
14 the Lower Morrow have been colored yellow and the wellbore
15 sections you see over those wells were perforated upon com-
16 pletion. The last diagnostic correlation would be the top
17 of the Barnett at the base of those sands.

18 Now, what we're striving to do here, of course,
19 is to move down dip from the well that was previously drilled
20 and establish -- being the Foxey-Federal Number One, completed
21 only in the Upper Morrow. The Lower Morrow sands that are
22 present there are water-bearing, and you'll note as you go
23 south the three remaining wells on that east portion of the
24 cross-section, there are Lower Morrow sands that have been
25 developed that are not present up dip in the Foxey-Federal,

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1 and also, from which those three wells have been completed
2 successfully as water-free completions. They are also more
3 prolific producers in the upper Morrow sands.

4 Now, of course, in our opinion there is little
5 doubt that there would be an upper Morrow completion affected
6 at the proposed location, but we feel that this location
7 would also encounter sands that would not be encountered at
8 regular locations, and that being the case, we would recover
9 gas that would not be recovered otherwise.

10 Q In your opinion, Mr. Talley, is the proposed pro-
11 ration unit in the east half of Section 18 reasonably pro-
12 ductive from the proposed location?

13 A Now would you repeat your question? I don't
14 understand it.

15 Q Yeah. Can you economically and efficiently drain
16 the proposed proration unit from a well located at the pro-
17 posed location?

18 A Oh, yes, I think so.

19 Q In your opinion are you including any acreage in
20 this proration unit that is not productive?

21 A No.

22 Q Were Exhibits One and Two prepared by you directly
23 or under your direction and supervision?

24 A Yes, they were.

25 Q In your opinion, Mr. Talley, will the approval of

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1 this application be in the best interests of conservation,
2 prevention of waste, and the protection of correlative rights?

3 A Yes.

4 MR. KELLAHIN: That concludes our direct examin-
5 ation.

6
7 CROSS EXAMINATION

8 BY MR. NUTTER:

9 Q Mr. Talley, you mentioned that in the wells on
10 the west side of the cross-section these lower sands were
11 not as well developed. Now, in the wells on the righthand
12 side, where they do have the perforations in the lower sec-
13 tion, are the sands in the upper Morrow so poorly developed
14 that it probably doesn't pay to perforate them?

15 A No, this is not true. For instance, if you'll
16 look at the Cities Service CW well.

17 Q Oh, I see, that's the fourth one on --

18 A Which is third from the right.

19 Q Third from the right, okay.

20 A They elected to complete only in the lower sand,
21 but if you'll notice there are at least four other sands, two
22 in the lower and two in the upper, that would be productive
23 and they will go to those at a later date.

24 Q I see.

25 A Yes.

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1 Q You think the wells will be re-perforated, then?

2 A Oh, yes, very definitely. I might mention also --

3 Q Then they may have a sand or two in the Upper
4 Morrow in the next well on the right, the Antwell well on--

5 A Yes, sir, they sure do.

6 Q Now, your wells would more or less correspond --
7 your proposed location would more or less correspond to a
8 position between the third and fourth wells here.

9 A Right.

10 Q In other words, your Foxey-Federal and the Cities
11 Service well.

12 A That's right.

13 Q So you don't know whether you're going to be Upper
14 Morrow or Lower Morrow?

15 A Well, we hope both. I might point out, too, that
16 the Cities Service well, you see, is structurally some 84 feet
17 low to the Foxey-Federal and we think that our proposed
18 location would be some 60 feet lower than the Foxey-Federal,
19 so we feel that the chances of picking up some of these Lower
20 Morrow sands is very good.

21 Q I see. Now, with respect to your Exhibit Number
22 One, which shows the acreage dedication and you've described
23 that Lease Number One here with the north half of the north
24 half, Lease Number Two with the south half of the north half,
25 and Lease Number Three with the south half. Now, all three

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1 of those leases were communitized for Foxey-Federal and the
2 communitization also applies to the proposed well in the east
3 half, is that correct?

4 A No, it would have to be done to include the east
5 half.

6 Q But it will be the same acreage, won't it?

7 A The same acreage, same ownership, and everything.

8 Q Same ownership and everything. So actually, if
9 the -- if you'd have chosen with certain different ownership
10 the wells could have been dedicated north half and south half
11 here, and they'd both be standard locations.

12 A They would have been if they had been horizontal
13 proration units, yes, sir, they would have been a standard
14 location.

15 MR. NUTTER: Are there any further questions of
16 Mr. Talley? He may be excused. Do you have anything further,
17 Mr. Kellahin?

18 MR. KELLAHIN: No, sir.

19 MR. NUTTER: Did you give me the exhibits?

20 MR. KELLAHIN: Yes.

21 MR. NUTTER: Does anyone have anything they wish
22 to offer in Case Number 5955?

23 We'll take the case under advisement.

24 (Hearing concluded.)

25

REPORTER'S CERTIFICATE

I, SALLY WALTON BOYD, a Certified Shorthand Reporter,
do hereby certify that the foregoing and attached Transcript
of Hearing before the New Mexico Oil Conservation Commission
was reported by me, and the same is a true and correct record
of the said proceedings to the best of my knowledge, skill
and ability.

Sally Walton Boyd
Sally Walton Boyd, C. S. R.

I do hereby certify that the foregoing is
a complete record of the proceedings in
the New Mexico Oil Conservation Commission
heard by me on 6-8, 1977.
[Signature] Examiner
New Mexico Oil Conservation Commission

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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. 5955
Order No. R-5474

APPLICATION OF PENROC OIL
CORPORATION FOR AN UNORTHODOX
GAS WELL LOCATION, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 8, 1977,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 21st day of June, 1977, 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, Penroc Oil Corporation, seeks
approval of an unorthodox gas well location for its Foxie-
Federal Well No. 2 to be drilled 660 feet from the South line
and 1980 feet from the East line of Section 18, Township 20
South, Range 28 East, NMPM, to test the Morrow formation, Eddy
County, New Mexico.

(3) That the E/2 of said Section 18 is to be dedicated
to the well.

(4) That a well at said unorthodox location will better
enable applicant to produce the gas underlying the proration
unit.

(5) That no offset operator objected to the proposed
unorthodox location.

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Case No. 5955
Order No. R-5474

(6) That approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

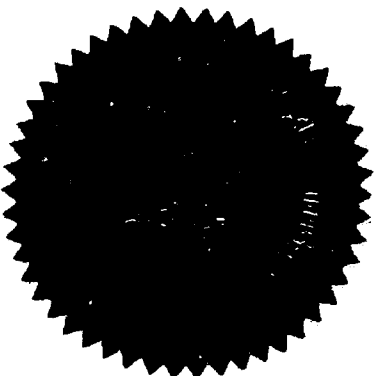
(1) That an unorthodox gas well location for the Morrow formation is hereby approved for the Penroc Oil Corporation Foxie-Federal Well No. 2 to be drilled at a point 660 feet from the South line and 1980 feet from the East line of Section 18, Township 20 South, Range 28 East, NMPM, Eddy County, New Mexico.

(2) That the E/2 of said Section 18 shall be dedicated to the above-described well.

(3) 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


Phil R. Lucero
PHIL R. LUCERO, Chairman

Emery C. Arnold
EMERY C. ARNOLD, Member

Joe D. Ramey
JOE D. RAMEY, Member & Secretary

S E A L

dr/

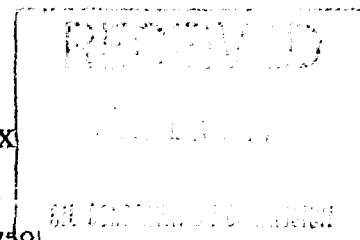
- CASE 5950: Application of Joe Don Cook for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to the provisions of Commission Order No. R-3221, permission to dispose of produced salt water from his State Well No. 1, located in Unit J of Section 2, Township 19 South, Range 31 East, Shurart Pool, Eddy County, New Mexico, into an earthen evaporation pit in said Section 2.
- CASE 5951: Application of Odessa Natural Corporation for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Dakota formation underlying the W/2 of Section 32, Township 24 North, Range 3 West, Rio Arriba County, New Mexico, 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. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5952: Application of Hudson & Hudson for unorthodox oil well locations, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox locations of 14 oil wells to be drilled at the following locations:
- 25 feet from the North and East lines of Units B, C, D, E, F, G, J, K, M, and O; and 25 feet from the North line and 320 feet from the East line of Units A, H, I, and P, all in Section 25, Township 17 South, Range 31 East, Maljamar Grayburg-San Andres Pool, Eddy County, New Mexico.
- CASE 5953: Application of Rice Engineering & Operating, Inc., for amendment of Order No. R-5384, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-5384 to extend the injection interval in its Hobbs Salt Water Disposal Well No. 16 located in Unit P of Section 16, Township 19 South, Range 38 East, Lea County, New Mexico, to include the total open-hole section from 4176 feet to 10,008 feet.
- CASE 5954: Application of Caulkins Oil Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Pictured Cliffs and Chacra production in the wellbore of its Breech Well No. 368 located in Unit I of Section 23, Township 26 North, Range 7 West, Rio Arriba County, New Mexico.
- CASE 5955: Application of Penroe Oil Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Foxie-Federal Well No. 2 to be drilled in the center of Unit O of Section 18, Township 20 South, Range 28 East, Eddy County, New Mexico, the E/2 of said Section 18 to be dedicated to the well.
- CASE 5956: Application of Continental Oil Company for a non-standard proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 160-acre non-standard gas proration unit comprising the E/2 NE/4, NW/4 NE/4, and NE/4 SE/4, of Section 27, Township 20 South, Range 38 East, Warren-Tubb Gas Pool, Lea County, New Mexico, to be dedicated to its Warren Unit Well No. 42 located in Unit I of said Section 27.
- CASE 5957: Application of Continental Oil Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Otero-Chacra and South Blanco-Pictured Cliffs production in the wellbores of its AXI Apache "J" Wells Nos. 9 and 11, located in Units O and A, respectively, of Section 6, and Wells Nos. 10 and 12, located in Units A and K of Section 5, Township 25 North, Range 5 West, Rio Arriba County, New Mexico.
- CASE 5958: Application of Continental Oil Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Gonzales-Mesaverde and Otero-Chacra production in the wellbores of its AXI Apache "J" Wells Nos. 18, 23, and 24 located in Units A, D, and P of Section 8; Nos. 19 and 22 in Units D and L of Section 6; Nos. 20 and 21, in Units C and I of Section 5; and No. 25 in Unit A of Section 7, all in Township 25 North, Range 5 West, Rio Arriba County, New Mexico.
- CASE 5959: In the matter of the application of the Oil Conservation Commission on its own motion to consider the creation, extension, and abolishment of certain pools in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico:
- a) CREATE a new pool in Chaves County, New Mexico, classified as an oil pool for San Andres production and designated as the North Cato-San Andres Pool. The discovery well is the Cleary Petroleum Corporation Federal "15" Well No. 1 located in Unit M of Section 15, Township 7 South, Range 30 East, NMPL. Said pool would comprise:

TOWNSHIP 7 SOUTH, RANGE 30 EAST, NMPL
Section 15: SW/4

JASON W. KELLAHIN
ROBERT E. FOX
W. THOMAS KELLAHIN

KELLAHIN AND FOX
ATTORNEYS AT LAW
500 DON GASPAR AVENUE
POST OFFICE BOX 1789
SANTA FE, NEW MEXICO 87501

May 12, 1977



Case 5955

TELEPHONE 982-4315
AREA CODE 505

Mr. Joe D. Ramey
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Dear Mr. Ramey:

Enclosed is the application of Penroc Oil Corporation
for approval of an unorthodox well location, Eddy County,
New Mexico.

It is requested that this application be set for
hearing on June 8, 1977.

Yours very truly,

Jason Kellahin
Jason W. Kellahin

JWK:kfm

CC: Mr. Sterling Talley

Enclosure

RECEIVED
OIL FIELD

BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

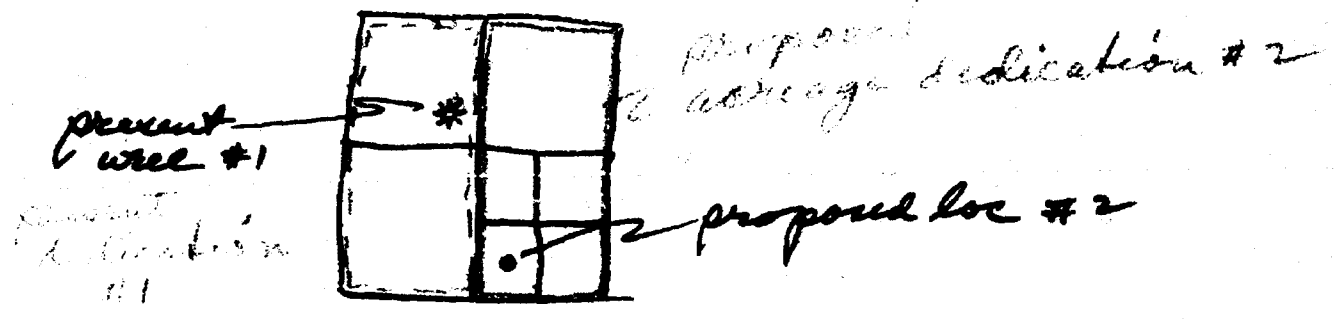
IN THE MATTER OF THE APPLICATION
OF PENROC OIL CORPORATION FOR
AN UNORTHODOX WELL LOCATION
EDDY COUNTY, NEW MEXICO

A P P L I C A T I O N

Comes now Penroc Oil Corporation and applies to the Oil Conservation Commission of New Mexico for approval of an unorthodox well location for Morrow production, Eddy County, New Mexico, and in support thereof would show the Commission:

1. Applicant proposes to drill its Foxie-Federal No. 2 well at a location 1980 feet from the East line, and 660 feet from the South line of Section 18, Township 20 South, Range 28 East, Eddy County, New Mexico, dedicating thereto the E/2 of Section 18.
2. There is presently a well, the Foxie-Federal No. 1, located in the SE/4 NW/4 of Section 18, with the W/2 of the section dedicated to the well.
3. Approval of the unorthodox well location will result in the recovery of gas and liquid hydrocarbons that would not otherwise be recovered, will prevent waste, and the correlative rights of all interest owners, including offset owners, will be fully protected.

WHEREFORE applicant prays that this application be set for hearing before the Commission or the Commission's duly appointed examiner, and after notice and hearing as required



by law the Commission enter its order approving the unorthodox well location as applied for.

Respectfully submitted,
PENROC OIL CORPORATION

By Jason Kellahin
Kellahin & Fox
P. O. Box 1769
Santa Fe, New Mexico 87501

Attorneys for Applicant

dr/

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. 5955

Order No. R- 5474

APPLICATION OF PENROC OIL CORPORATION
FOR AN UNORTHODOX GAS WELL LOCATION,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 8, 1977,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this June, 1977, 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, Penroc Oil Corporation, seeks
for its Foxie-Federal Well No. 2 to be drilled
approval of an unorthodox gas well location/ 660 feet from the South
line and 1980 feet from the East line of Section 18, Township
20 South, Range 28 East, NMPM, to test the
Morroco formation, Pool
Eddy County, New Mexico.

(3) That the E/2 of said Section 18 is to be dedicated to the
well.

(4) That a well at said unorthodox location will better enable
applicant to produce the gas underlying the proration unit.

(5) That no offset operator objected to the proposed unorthodox
location.

-2-

Case No. _____

Order No. R- _____

(6) That approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That an unorthodox gas well location for the Morrow ~~the Penroc Oil Corporation~~ Foxie-Federal Well No. 2 to be drilled formation is hereby approved for ~~a well to be located~~ at a point 660 feet from the South line and 1980 feet from the East line of Section 18, Township 20 South, Range 28 East, NMPM, _____ Pool, Eddy County, New Mexico.

(2) That the E/2 of said Section 18 shall be dedicated to the above-described well.

(3) 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.