

CASE 5985: ORLA PETCO, INC., FOR AN
UNORTHODOX GAS WELL LOCATION, EDDY
COUNTY, NEW MEXICO

Case Number

5985

Application

Transcripts.

Small Exhibits

ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
20 July 1977

EXAMINER HEARING

IN THE MATTER OF:

Application of Orla Petco, Inc., for) CASE
an unorthodox gas well location, Eddy) 5985
County, New Mexico.)

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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

For the Applicant: W. Thomas Kellahin, Esq.
KELLAHIN & FOX
500 Don Gaspar
Santa Fe, New Mexico 87501

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

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EDWARD R. KENNEDY

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1 MR. STAMETS: Call the next case, 5985.

2 MS. TESCHENDORF: Case 6985. Application of Orla
3 Petco, Inc., for an unorthodox gas well location, Eddy County,
4 New Mexico.

5 MR. KELLAHIN: Tom Kellahin of Kellahin and Fox,
6 Santa Fe, New Mexico, appearing on behalf of the applicant,
7 and I have one witness to be sworn.

8 MR. STAMETS: Any other appearances in this case?
9 Will the witness please stand and be sworn?

10 (Witness sworn.)
11

12 EDWARD R. KENNEDY

13 being called as a witness and being duly sworn upon his oath,
14 testified as follows, to-wit:

15
16 DIRECT EXAMINATION

17 BY MR. KELLAHIN:

18 Q Would you please state your name, by whom you're
19 employed, and in what capacity?

20 A Edward R. Kennedy. I'm a Consulting Geologist and
21 at the moment working for Orla Petco, Incorporated, on this
22 particular project.

23 Q Mr. Kennedy, have you previously testified before
24 the New Mexico Oil Conservation Commission?

25 A No, I haven't.

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1 Q Would you state for the Examiner when and where
2 you obtained your degree?

3 A From the University of Texas at Austin, a B.S. in
4 geology, in 1948. Same school, a Masters in 1949. I worked
5 for Argo Oil Corporation from 1949 to 1961, both west Texas
6 and southeast New Mexico.

7 Since then I've been a consultant working both
8 southeast New Mexico and west Texas, and during the period
9 '71 - '75 I did extensive work in New Mexico for ATAPCO and
10 Ensearch. These were Pennsylvanian studies.

11 MR. KELLAHIN: Are the witness' qualifications
12 acceptable, Mr. Examiner?

13 MR. STAMETS: They are.

14 Q (Mr. Kellahin continuing.) Mr. Kennedy, would you
15 refer to what we've marked as Exhibit Number One, identify it,
16 and tell me what the applicant is seeking to accomplish?

17 A We are -- Exhibit One is two plats, really, one
18 with the land deleted, and the second part has all the land
19 information there.

20 The part bordered in yellow is a working interest
21 unit. All of the operators in that area have agreed and we
22 are in the process of signing an operating agreement, I
23 think it's signed by practically everyone, to drill a well
24 in the south half of Section Five.

25 The red outlined area is the gas proration unit

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1 for the Morrow test.

2 Q What's the footage location for the proposed well?

3 A 1980 south and 660 east.

4 Q That's in Section 5?

5 A Yes, Section 5, 19, 26.

6 Q Would you refer to what has been marked as Exhibit
 7 Number Two and identify it?

8 A Exhibit Number Two is a Xeroxed copy of a portion
 9 of a log from the northeast quarter of 5, 19, 26.

10 Q Would you -- would you identify the well from
 11 which you derived this log?

12 A Yes, it's the Samedan Number One Ivy, 1980 north
 13 and 660 east from 5, 19, 26.

14 Q What's the importance of Exhibit Two to us, Mr.
 15 Kennedy?

16 A I've marked my structural horizon and the isopack
 17 units, which are arbitrary, Morrow A, Morrow Upper B, and
 18 Morrow Lower B.

19 It refers to the exhibits three, four, five, six.

20 Q Let's refer to Exhibit Three and have you identify
 21 that and explain the information.

22 A Exhibit Three is a structural map, mapped on what
 23 I call the top of Morrow B, which is a shale zone in the
 24 middle of the Morrow plastic section. The Morrow in this
 25 particular area of Eddy County is essentially a dip slope,

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1 dipping from northwest to southeast. Occasionally there are
2 structural salients, such as that in the area of the drill
3 site, but it's basically a dip slope area.

4 Q There's a well located in Section 5 in the south-
5 east quarter of the northeast quarter. Could you describe
6 the status of that well?

7 A It's a dry hole.

8 Q In what Morrow zones was it tested?

9 A It ran a drill stem test -- well, I'll have to look
10 that up. Let me check that. Basically, it was a no sand
11 well, except the lower B sand and that was not tested, and
12 it was only a few feet high to the lower B sands in the well
13 in Section 4, which production tested water.

14 I don't know if I have a drill stem test on that.

15 Q You've answered the question.

16 A But the As and Upper Bs were missing. The Lower
17 B was not tested. I presume it was considered water because
18 it was tested water in the Number One Ivy -- I mean the well
19 in Section 4.

20 Q Tell me about the well in Section 4? What Morrow
21 zones does it produce from?

22 A That produces from the Morrow A zone. It's a non-
23 commercial from a thin, approximately five inch, sand.

24 Q Let's direct your attention to Exhibit Number
25 Four, Mr. Kennedy, and have you explain what information it

1 contains.

2 A. Back to that other one, if -- I don't think they
3 ran any drill stem tests. If they did, they did not recover
4 any commercial shows of hydrocarbons.

5 You're on Number Four?

6 Q. Yes, sir.

7 A. Number Four is an Isopack of what I termed the
8 Morrow A sands, which you can identify that time unit on the
9 log. There's a good well producing from that zone, or part
10 of a section, Section 19, 18, 26. The well in 5 produces
11 in that zone, but it's too thin to be commercial; it's a
12 light producer. A well in 18, 19, 26 had a good show of gas
13 but produced water. There was a little show of gas in the
14 well in the northeast quarter of 32, 18, 25.

15 We are attempting to -- the A sands are generally
16 thin in this area. We think that we have to be in the center
17 of the channels to get the good production, where the thick
18 sands are, and that's what we're attempting to do at that
19 location.

20 Q. Please identify Exhibit Five.

21 A. Exhibit Five is Upper B Isopack. This is net
22 feet of porous sand and there are good wells producing in
23 18, 19, and 7, 18, 26, and in 24, and 18, 25.

24 Those on the margins of that area away from the
25 axis of the channel are non-commercial or dry holes. There

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1 have been significant shows in this area but nothing commer-
2 cial, and we are trying to get as close to -- as we can, to
3 the center of the channel, and also in the best structural
4 position.

5 Q Exhibit Number Six.

6 A An Isopack map of the Lower B sands, which is the
7 main pay in the Atoka Field. The production in the thick
8 parts of the channel to the north is very good. There have
9 been significant shows in this area in 18, but very little
10 sand and much loss of pressure on a series of drill stem tests
11 in Section 18, 19, 26. For this reason we want to, again,
12 get into a thick center of a channel and hope to get commer-
13 cial production.

14 Q What do you estimate to be the depth of the pro-
15 posed well?

16 A Approximately 9500 feet.

17 Q In your opinion, Mr. Kennedy, is the south half
18 of Section 5 reasonably productive from the Morrow formation
19 as you've studied it?

20 A Yes, I think we can expect reasonable production.

21 Q Can the south half of Section Five be economically
22 and efficiently drained by a well located at the proposed
23 location?

24 A Yes.

25 Q In your opinion will the granting of this applica-

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

3 A. Yes.

4 Q. And were Exhibits One through Six prepared by you
5 or prepared under your direction?

6 A. Yes, they were.

7 MR. KELLAHIN: We move the introduction of Exhibits
8 One through Six.

9 MR. STAMETS: These exhibits will be admitted.

10 MR. KELLAHIN: That concludes our direct examin-
11 ation.

12
13 CROSS EXAMINATION

14 BY MR. KELLAHIN:

15 Q. Mr. Kennedy, is it your opinion that a well at the
16 proposed location will better drain the south half of Section
17 5 than a well at a standard location?

18 A. Yes.

19 MR. STAMETS: Any other questions of the witness?
20 He may be excused. Anything further in this case?

21 We'll take the case under advisement.

22 (Hearing concluded.)
23
24
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 Examiner hearing of Case No. 5985
heard by me on 7-29, 1977
Richard L. Slamm 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. 5985
Order No. R-5498

APPLICATION OF ORLA PETCO, INC.
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 July 20, 1977,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 9th day of August, 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, Orla Petco, Inc., seeks approval
of an unorthodox gas well location for its B. K. Morrison
Well No. 1 to be drilled at a point 1980 feet from the
South line and 660 feet from the West line of Section 5,
Township 19 South, Range 26 East, NMPM, to test the
Pennsylvanian formation, West Four Mile Draw Field, Eddy
County, New Mexico.

(3) That the S/2 of said Section 5 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. 5985
Order No. R-5498

(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 Pennsylvanian formation is hereby approved for the Orla Petco, Inc. B. K. Morrison Well No. 1 to be drilled at a point 1980 feet from the South line and 660 feet from the West line of Section 5, Township 19 South, Range 26 East, NMPM, West Four Mile Draw Field, Eddy County, New Mexico.

(2) That the S/2 of said Section 5 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, Chairman


EMERY C. ARNOLD, Member


JOE D. RAMEY, Member & Secretary

S E A L

dr/

Dockets Nos. 25-77 and 26-77 are tentatively set for hearing on August 3 and August 17, 1977. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - JULY 20, 1977

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

The following cases will be heard before Richard L. Starzets, Examiner, or Daniel S. Mutter, Alternate Examiner:

- ALLOWABLE:** (1) Consideration of the allowable production of gas for August, 1977, from fifteen prorated pools in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico.
- (2) Consideration of the allowable production of gas for August, 1977, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.
- CASE 5982:** Application of Sam H. Snoddy for directional drilling and a non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the directional drilling of two 14,000-foot Morrow gas wells in Unit P of Section 25, Township 20 South, Range 32 East, South Salt Lake-Morrow Gas Pool, Lea County, New Mexico, one of which would be vertically drilled to a depth of 4,000 feet from a surface location 660 feet from the South line and 760 feet from the East line of said Section 25, then directionally drilled in a North-Northwesterly direction and bottomed in the approximate center of the NE/4 of said Section 25, the N/2 of the section being dedicated to the well; the other well would be vertically drilled to a depth of 4,000 feet from a surface location 760 feet from the South line and 660 feet from the East line of said Section 25, then directionally drilled in a West-Northwesterly direction and bottomed in the approximate center of the SW/4 of said Section 25, which would be a 160-acre non-standard unit for said well.
- CASE 5983:** Application of Yates Petroleum Corporation for the amendment of Order No. R-5445, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-5445 to provide for a 200 percent risk factor for drilling the unit well rather than 20 percent. Said order pooled the N/2 of Section 19, Township 20 South, Range 25 East, Eddy County, New Mexico.
- CASE 5984:** Application of Morris R. Antwell for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in and underlying the N/2 of Section 20, Township 18 South, Range 25 East, Eddy 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 5985:** Application of Orla Petco, Inc., for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its B. K. Morrison Well No. 1 to be located 1980 feet from the South line and 660 feet from the West line of Section 5, Township 19 South, Range 26 East, Eddy County, New Mexico, the S/2 of said Section 5 to be dedicated to the well.
- CASE 5986:** Application of J. Gregory Merrion for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Devils Fork-Gallup and Mesaverde production in the wellbore of his Edna Well No. 2 located in Unit O of Section 7, Township 24 North, Range 6 West, Rio Arriba County, New Mexico.
- CASE 5987:** Application of Getty Oil Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Gallup, Mesaverde, and Dakota production in the wellbore of its C. W. Roberts Well No. 5, located in Unit F of Section 17, Township 25 North, Range 3 West, Rio Arriba County, New Mexico. Applicant also seeks approval for the reopening of its C. W. Roberts Wells Nos. 3 and 4 and its Lydia Rentz Well No. 4 to commingle Dakota, Mesaverde, and possibly Gallup production within the wellbores of the above-described wells located in Units O, M, and A of Sections 18, 17, and 19, respectively, of the same township.
- CASE 5988:** Application of Continental Oil Company for three unorthodox locations, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 2-A of the Blanco-Mesaverde Gas Pool Rules, to permit the drilling of its AXI Apache "N" Wells Nos. 12 and 14 in the NW/4 of Sections 11 and 1, respectively, and its AXI Apache "O" Well No. 10 in the SE/4 of Section 3, all in Township 25 North, Range 4 West, Rio Arriba County, New Mexico. Each of said wells is the first Mesaverde well on its proration unit.

Cue 5985

ORLA PETCO, INC.

JUN 28 1977

P. O. BOX 1383, MIDLAND, TEXAS 79701
TELEPHONE 915 684-4762

June 21, 1977

Oil Conservation Commission
State of New Mexico
State Land Office Building
Santa Fe, N.M. 87501

Re: Application for non-standard
location

Attention: Mr. Richard Stamets

Gentlemen:

Pursuant to our telephone conversation, I am writing this letter to make application for a non-standard location as follows:

- 1) Operator: Orla Petco, Inc.
- 2) Lease name: B. K. Morrison
- 3) Well number: No. 1
- 4) Proposed footage: 1980' FSL & 660' FWL Section 5, T-19-S, R-26-E, Eddy Co.,
New Mexico
- 5) Dedicated acreage: S/2 Section 5 (320 acres)
- 6) Offset Operators: Amoco Production Company
- 7) Well depth: 9700-foot Morrow gas sand test

It is our understanding that, if this letter is received by you on or before June 28, 1977, that our request will be scheduled for a hearing, in Santa Fe, on July 20, 1977.

We will appreciate being advised that we are scheduled for this hearing.

Should you need any additional information, please call me (collect) at the above-listed number so that there will be no delay in scheduling us for the July 20th hearing.

Very truly yours,

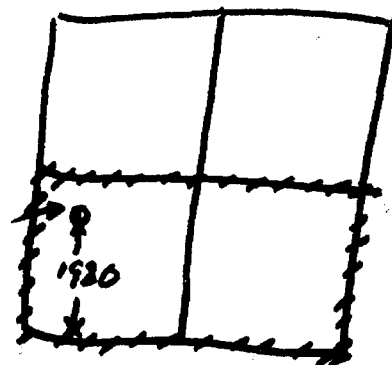
ORLA PETCO, INC.

A. H. Hedden

A. H. Hedden

AH/mm

660



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. 5985

Order No. R- 5498

APPLICATION OF ORLA PETCO, INC.
FOR AN UNORTHODOX GAS WELL LOCATION,
EDDY COUNTY, NEW MEXICO.

ORDER OF COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on July 20, 1977,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this day of July, 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, Orla Petco, Inc., seeks
for its B. K. Morrison Well No. 1 to be located drilled at a point
approval of an unorthodox gas well location 1980 feet from the South
line and 660 feet from the West line of Section 5, Township
19 South, Range 26 East, NMPM, to test the
~~Proration~~ Pennsylvania formation, West Four Mile Draw ~~Field~~ Field,
Eddy County, New Mexico.

(3) That the S/2 of said Section 5 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:

The Orla Petroleum Co., Inc. (1) That an unorthodox gas well location for the *Pennsylvanian Morrison* ~~applicant's~~ B. K. Morrison Well No. 1 *drilled* formation is hereby approved for ~~approval~~ to be located at a point 1980 feet from the South line and 660 feet from the West line of Section 5, Township 19 South, Range 26 East NMPM, *West Four Mile Draw Field* ~~pool~~, Eddy County, New Mexico.

(2) That the S/2 of said Section 5 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.