

CASE 6268: SOUTHLAND ROYALTY COMPANY  
FOR AN UNORTHODOX GAS WELL LOCATION,  
SAN JUAN COUNTY, NEW MEXICO

CASE NO.

6268

---

APPLICATION,  
TRANSCRIPTS,  
SMALL EXHIBITS,  
ETC.

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
State Land Office Building  
Santa Fe, New Mexico  
6 July 1978

EXAMINER HEARING

IN THE MATTER OF:

Application of Southland Royalty Com- ) CASE  
pany for an unorthodox gas well loca- ) 6268  
tion, San Juan County, New Mexico. )

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation  
Division:

Lynn Teschendorf, Esq.  
Legal Counsel for the Division  
State Land Office Building  
Santa Fe, New Mexico 87501

For the Applicant:

Bruce D. Black, Esq.  
CAMPBELL, BINGAMAN, & BLACK  
Jefferson Plaza  
Santa Fe, New Mexico 87501

SALLY WALTON BOYD  
CERTIFIED SHORTHAND REPORTER  
730 Bishop's Lodge Road • Phone (505) 988-3404  
Santa Fe, New Mexico 87501

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

I N D E X

CURTIS PARSONS

Direct Examination by Mr. Black	3
Cross Examination by Mr. Nutter	7

E X H I B I T S

Applicant Exhibit One, Plat

SALLY WALTON BOYD  
CERTIFIED SHORTHAND REPORTER  
730 Bishop's Lodge Road • Phone (505) 988-3404  
Santa Fe, New Mexico 87501

1 MR. NUTTER: Case 6268. Application of South-  
2 land Royalty Company for an unorthodox gas well location,  
3 San Juan County, New Mexico.

4 MR. NUTTER: Are there appearances in this  
5 case?

6 MR. BLACK: Yes. I'm Bruce Black from the  
7 law firm of Campbell, Bingaman and Black. I'm here for  
8 the Applicant, Southland. I have one witness.

9 (Witness sworn.)

10  
11 CURTIS PARSONS

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

14  
15 DIRECT EXAMINATION

16 BY MR. BLACK:

17 Q Will you please state your name and address?

18 A I'm Curt Parsons from Farmington, New Mexico.

19 Q What is your educational background, Mr. Par-  
20 sons?

21 A I'm a graduate of Texas A & M University with  
22 a Bachelor's in Mechanical Engineering.

23 Q By whom are you employed?

24 A Southland Royalty Company.

25 Q What is your position with Southland?

SALLY WALTON BOYD  
CERTIFIED SHORTHAND REPORTER  
730 Bishop's Lodge Road • Phone (505) 988-3404  
Santa Fe, New Mexico 87501

SALLY WALTON BOYD  
CERTIFIED SHORTHAND REPORTER  
730 Bishop's Lodge Road • Phone (505) 988-3404  
Santa Fe, New Mexico 87501

1 A. I'm District Engineer.

2 Q. How long have you been a petroleum engineer?

3 A. Five years plus.

4 Q. Have you been employed by any other company  
5 other than Southland as a petroleum engineer?

6 A. Yes, sir, by El Paso Natural Gas Company.

7 MR. BLACK: I would tender Mr. Parsons as an  
8 expert.

9 MR. NUTTER: Mr. Parsons is qualified.

10 Q. (Mr. Black continuing.) What does Southland's  
11 application seek in this matter?

12 A. We request a location which is off-pattern.  
13 I might point out that the location is not unorthodox in  
14 the sense of distance from the edge of the section; how-  
15 ever, the well would potentially an infill location in  
16 the Mesaverde Pool.

17 The well is in the southeast quarter of Section  
18 19, Township 28 North, Range 9 West. Rule 1670-R calls  
19 for locations to be in the northeast or southwest for the  
20 first location; however, since infill drilling has been  
21 approved, this is a little archaic and we request that  
22 due to the fact that this well lies on the edge of the  
23 productive area, we be allowed to drill the well in the  
24 southeast quarter rather than the southwest.

25 Q. Looking at what has been marked as Southland

1 Exhibit Number One, can you tell me what that illustrates?

2 A. Yes. This shows the edge of the productive  
3 area of this particular pool. The well in the southeast  
4 of 19, as you can see, is the proposed location. The  
5 figures on the plat show gas and oil production for 1977  
6 and cumulative gas and oil production for these various  
7 wells.

8 Now, as can be seen, the southwest portion of  
9 the plat reflects that there's no production there. The  
10 northeast portion is productive and we prefer to put our  
11 well as far to the northeast direction as possible.

12 Q Was this plat prepared for you and under your  
13 supervision?

14 A. Yes, it was.

15 MR. BLACK: I would tender Southland Exhibit  
16 Number One into evidence.

17 MR. NUTTER: Southland Exhibit Number One will  
18 be admitted in evidence.

19 Q (Mr. Black continuing.) By this application  
20 Southland seeks an off-pattern location as opposed to an  
21 unorthodox location, is that correct?

22 A. Yes, that is correct.

23 Q And this is a standard location under existing  
24 rules for infill drilling?

25 A. Yes, it is.

SAULY WALTON BOYD  
CERTIFIED SHORTHAND REPORTER  
730 Bishop's Lodge Road • Phone (505) 988-3404  
Santa Fe, New Mexico 87501

1 Q Would Southland's application presently be  
2 allowed under the existing Commission rules governing  
3 Mesaverde wells?

4 A No, it would not, because the southwest quarter  
5 has not yet been drilled and ordinarily under the rules  
6 that govern infill drilling, the original well is to be  
7 drilled first and then the infill.

8 Q Is there a precedent for this application that  
9 you're aware of?

10 A Yes, sir, there is.

11 Q What would that be?

12 A This would be in the case of the Arizona-  
13 Jicarilla "B" 8 Well. This was taken care of last year,  
14 an exact similar situation.

15 Q Are you aware of a pending application to  
16 amend Rule Two of Order R-1670, General Rules for North-  
17 west New Mexico?

18 A Yes, I am.

19 Q Governing the Mesaverde?

20 A Right. This has been scheduled for the July  
21 19th hearing.

22 Q If this rule is amended as proposed, would  
23 this application be necessary?

24 A No, it would not.

25 Q If Southland's application is granted, would

SALLY WALTON BOYD  
CERTIFIED SHORTHAND REPORTER  
730 Bishop's Lodge Road • Phone (505) 986-3404  
Santa Fe, New Mexico 87501



1 it prevent waste, in your opinion?

2 A Yes, sir, it would.

3 Q How would it prevent waste?

4 A If the well is not drilled here, then poten-  
5 tially gas and oil will be left in the ground that cannot  
6 be drained by the existing wells in the area.

7 Also, if we're forced to drill the southwest  
8 quarter first, we feel that it would not be productive  
9 or we're not ready to say at this time that it would be;  
10 therefore, it would be necessary for this well to bear  
11 the expense of two wells.

12 Q If you were allowed to drill this southeast  
13 quarter and you do so successfully, would you give serious  
14 consideration to stepping back to the southwest?

15 A Yes, after studying the production, if we  
16 feel that the production is there then, certainly, this  
17 would be considered.

18 Q Do you have anything else you wish to add?

19 A No, sir.

20 Q Do you have any questions?

21

22 CROSS EXAMINATION

23 BY MR. NUTTER:

24 Q Mr. Parsons, the cumulative production on the  
25 well in the northeast quarter of Section 19 isn't too

SALLY WALTON BOYD  
CERTIFIED SHORTHAND REPORTER  
730 Bishop's Lodge Road • Phone (505) 988-3404  
Santa Fe, New Mexico 87501

1 comparable to cumulative production of the wells to the  
2 east and to the south.

3 Is that because this is a relatively new well  
4 in the northeast quarter or --

5 A No, sir, it is not a relatively new well, but  
6 in that direction permeability is greatly reduced com-  
7 pared to the wells in the southeast direction.

8 Q Then it's just tighter up there, then, and  
9 you're moving to the southeast here in the hopes of get-  
10 ting into more permeable section, is that right?

11 A Yes, sir.

12 Q Now, if you had had the east half of Section  
13 19 dedicated to the Number 20 well, this would, in fact,  
14 be an infill location.

15 A Yes, sir.

16 Q And that would qualify as a standard well  
17 without the necessity of a hearing.

18 A Yes, sir. At the time that the original well  
19 was drilled, though, the dedication was for the north  
20 half and so the infill for it would be to the west.

21 Q And you are going to dedicate the south half  
22 of Section 19 to the proposed well?

23 A Yes, sir.

24 Q To keep the record straight, that application,  
25 or that case has not been set for hearing as yet.

SALLY WALTON BOYD  
CERTIFIED SHORTHAND REPORTER  
730 Bishop's Lodge Road • Phone (505) 988-3404  
Santa Fe, New Mexico 87501

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

A. Oh, it has not?

Q There's been discussion of the case but it has not been set for hearing yet.

A. I beg your pardon.

MR. NUTTER: Are there any further questions of Mr. Parsons?

He may be excused. Do you have anything further, Mr. Black?

MR. BLACK: No, sir. We would move that the application be approved.

MR. NUTTER: Does anyone have anything to offer in Case Number 6268?

We'll take the case under advisement.

(Hearing concluded.)

SALLY WALTON BOYD  
CERTIFIED SHORTHAND REPORTER  
730 Bishop's Lodge Road • Phone (505) 988-3404  
Santa Fe, New Mexico 87501

REPORTER'S CERTIFICATE

I, SALLY WALTON BOYD, a Court Reporter, DO HEREBY  
CERTIFY that the foregoing and attached Transcript of  
Hearing before the Oil Conservation Division was reported  
by me; that said transcript is a full, true, and correct  
record of the hearing, prepared by me to the best of my  
ability, knowledge, and skill from my notes taken at the  
time of the hearing.

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

SALLY WALTON BOYD  
CERTIFIED SHORTHAND REPORTER  
730 Bishop's Lodge Road • Phone (505) 888-3404  
Santa Fe, New Mexico 87501

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 6268  
heard by me on 7/6, 1978  
[Signature], Examiner  
New Mexico Oil Conservation Commission



STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

JERRY APODACA  
GOVERNOR

NICK FRANKLIN  
SECRETARY

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

July 18, 1978

Mr. Bruce D. Black  
Campbell, Bingaman & Black  
Attorneys at Law  
Post Office Box 2208  
Santa Fe, New Mexico 87501

Re: CASE NO. 6268  
ORDER NO. R-5768

Applicant:

Southland Royalty Company

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 OCC x  
Artesia OCC x  
Aztec OCC 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. 6268  
Order No. R-5768

APPLICATION OF SOUTHLAND ROYALTY  
COMPANY FOR AN UNORTHODOX GAS WELL  
LOCATION, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on July 6, 1978, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 17th day of July, 1978, 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 applicant, Southland Royalty Company, seeks approval of an unorthodox gas well location for its Reid Well No. 25 to be drilled at a point 1650 feet from the South line and 790 feet from the East line, in the SE/4 of Section 19, Township 28 North, Range 9 West, NMPM, Blanco Mesaverde Pool, San Juan County, New Mexico.

(3) That the S/2 of said Section 19 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. 6268  
Order No. R-5768

(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 is hereby approved for the Southland Royalty Company Reid Well No. 25 to be drilled at a point 1650 feet from the South line and 790 feet from the East line of Section 19, Township 28 North, Range 9 West, NMPM, Blanco Mesaverde Pool, San Juan County, New Mexico.

(2) That the S/2 of said Section 19 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 Division may deem necessary.

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

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION



*Joe D. Ramey*  
JOE D. RAMEY,  
Director

dr/

Dockets Nos. 23-78 and 24-78 are tentatively set for hearing on July 19 and August 2, 1978. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - THURSDAY - JULY 6, 1978

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

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

- CASE 6265: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Beck Producing Co. and all other interested parties to appear and show cause why the Cain State Well No. 1 located in Unit B of Section 16, Township 15 North, Range 33 East, Harding County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.
- CASE 6266: Application of Harvey E. Yates Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of an Upper Pennsylvanian test well to be located 660 feet from the North and East lines or, in the alternative, 990 feet from the North and East lines of Section 23, Township 22 South, Range 23 East, Indian Basin-Upper Pennsylvanian Gas Field, Eddy County, New Mexico, all of said Section 23 to be dedicated to the well.
- CASE 6267: Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the E/2 of Section 28, Township 17 South, Range 26 East, Kennedy Farms Field, 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 6268: Application of Southland Royalty Company for an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Reid Well No. 25 to be drilled in the SE/4 of Section 19, Township 28 North, Range 9 West, Blanco Mesaverde Pool, San Juan County, New Mexico, said well being off-pattern for the first well on the proration unit, the S/2 of Section 19.
- CASE 6269: Application of Marathon Oil Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in all formations from the top of the San Andres thru the Abo underlying the NE/4 NW/4 of Section 25, Township 16 South, Range 38 East, Lea 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 6270: Application of Enserch Exploration, Inc., for pool creation and special pool rules, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks an order creating a new oil pool in the Fusselman formation for its Lambirth Well No. 1 located in Unit K of Section 31, Township 5 South, Range 33 East, Roosevelt County, New Mexico, and for promulgation of special pool rules, including provision for 80-acre spacing, a gas-oil ratio limitation of 3,000 to 1, and special well location requirements.
- CASE 6258: (Continued from June 21, 1978, Examiner Hearing)
- Application of Atlantic Richfield Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Devonian, McKee, and Ellenburger formations underlying the S/2 of Section 21, Township 22 South, Range 36 East, Lea 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 6262: (Continued from June 21, 1978, Examiner Hearing)
- Application of Adobe Oil & Gas Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mississippian formation underlying the SE/4 of Section 17, Township 14 South, Range 36 East, Austin Field, Lea 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.



DRAFT

dr/

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. 6268

ORDER NO. R- 5768

APPLICATION OF SOUTHLAND ROYALTY COMPANY

FOR AN UNORTHODOX GAS WELL LOCATION,

SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on July 6,  
19 78, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this \_\_\_\_\_ day of July, 19 78, 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 applicant, Southland Royalty Company  
for its Reid Well No. 25 to be drilled ~~in the SE/4 of~~  
seeks approval of an unorthodox gas well location / at a point 1650  
feet from the South line and 790 feet from the  
East line <sup>in the SE/4 of</sup> of Section 19, Township 28 North  
Range 9 West, NMPM, ~~to test the~~  
~~formation,~~ Blanco Mesaverde Pool, San Juan  
County, New Mexico.

(3) That the S/2 of said Section 19 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 Southland Royalty Company Reid Well No. 25 <sup>is hereby approved</sup> ~~formation is hereby approved for a well~~ <sup>drilled</sup> to be located at a point 1650 feet from the South line and 790 feet from the East line of Section 19, Township 28 North, Range 9 West NMPM, Blanco Mesaverde Pool, San Juan County, New Mexico.

(2) That the S/2 of said Section 19 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 Division may deem necessary.

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

JUN 14 1978



Southland Royalty Company

June 12, 1978

6268

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

Dear Sir:

Southland Royalty Company hereby requests a hearing in order to obtain an exception to Rule 2 of order #R-1670 for the Reid #25 Mesaverde well to be located in the SE/4 of Sec. 19, T28N, R9W, San Juan County, New Mexico. Rule 2 of order #R-1670 calls for the first well on a proration unit to be located in either the northeast or southwest quarter of the section. The proration unit involved is the S/2 of Sec. 19 and the SW/4 of this section does not appear to be capable of production. Southland Royalty Company owns 100% of the working interest in this acreage.

Yours truly,

C. C. Parsons  
District Engineer

CCP/1k

cc: Al Kendrick