

CASE NO.

6334

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

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

EXAMINER HEARING

IN THE MATTER OF:)
)
)

Application of Grace Petroleum Cor-)
poration for an unorthodox gas well)
location, Lea County, New Mexico.)

CASE
6334

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 Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

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

I N D E X

WILLIAM J. HENRY

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

E X H I B I T S

Applicant Exhibit One, Flat	7
Applicant Exhibit Two, Structure Map	7

MR. NUTTER: Call next Case Number 6334.

MS. TESCHENDORF: Case 6334, Application of Grace Petroleum Corporation for an unorthodox gas well location, Lea County, New Mexico.

MR. KELLAHIN: Tom Kellahin of Kellahin and Fox, appearing on behalf of the applicant. And I have one witness.

(Witness sworn.)

WILLIAM J. HENRY

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Will you please state your name, by whom you are employed, and in what capacity?

A. My name is William J. Henry. I'm a petroleum consultant, representing the Grace Petroleum Corporation, from Midland, Texas.

Q Mr. Henry, have you previously testified before the Oil Conservation Division?

A. Yes, sir, I have.

Q And you've had your qualifications as an expert witness accepted and made a matter of record?

A. Yes.

MR. KELLAHIN: We tender Mr. Henry as an expert witness.

MR. NUTTER: Mr. Henry is qualified.

Q. (Mr. Kellahin continuing.) Would you please refer to what we've marked as Exhibit Number One, which is a plat, and identify it and tell us what you're seeking to accomplish?

A. Yes. This is a land plat of the proposed unorthodox location with the proration unit outlined in red. This is in the South Salt Lake Field, which is also combined, almost, with the Hat Mesa Field, and the proposed location is shown in red. which is in Lot 2 of Section 6 of 21, 32, Lea County, New Mexico.

Q. Please refer to Exhibit Two and identify it and explain what it makes mention to?

A. Exhibit Number Two is a structural map of the Salt Lake South Field which this proposed well is located in, and this is a structure map of the Lower Morrow structure, with the Morrow Sands, gross Morrow sands, we think are reservoir quality; Isopach is superimposed upon the structure.

Q. Would you describe the location and the history of any offset production?

A. Yes. In -- we drilled -- formerly, we were

formerly the Cleary Petroleum Corporation, and we're in the process of being merged into the Grace Petroleum Corporation at the present time. We drilled our number one New Mexico Federal E over in the east side of Section 5. This well ran about 300 and some odd feet low to the well that's located over in Section 4, and was completed from a separate sand as a very good gas well and it was very low.

We suspect that there is a fault at lower levels Devonian that exists between the New Mexico Federal E and the D and trending to the northwest, going between up in the north of Section 36 and 25, the two Texaco Richards Well and the CH, and we're on the down-thrown side of the possible fault or steep dip on the structure. We ran a dip-meter in the New Mexico Federal E and we found six degrees southwest dip. We requested from the Commission and received an unorthodox location for the Cleary New Mexico Federal F-1, which we just completed, or just completed running pipe on the 22nd of September and we had hoped to have some completion data by now, but due to the rains we haven't been able to get in there, and so our sands were fairly shaley in this particular well and we don't know exactly what we have there. We ran about 60 feet high to the New Mexico Federal E, which was surprising to us, and therefor we would like to continue developing and moving to our last location to the west, which is right

adjacent to the potash area, R-111-A, and a standard location, we -- looks like with our sub-surface information, it would be at approximately minus 10,600 on the sub-surface, and we would like to move up to this unorthodox location to gain as much structure advantage as we can on the structure, and possibly have better sand conditions.

Q Does your plat indicate the location of the R-111-A potash?

A Yes, it does. That is the dashed line just to the -- adjacent to the west of the proposed location.

And this will be a communitized proration unit running north and south for 320 acres.

Q In your opinion, Mr. Henry, will a well drilled at the proposed unorthodox location be the most economic and efficient location from which to drill and drain this proration unit?

A Yes, I do.

Q And were Exhibits One and Two prepared by you or compiled under your direction and supervision?

A Yes, they were.

Q In your opinion, Mr. Henry, will approval of your application be in the best interests of conservation, the prevention of waste, and the protection of correlative rights?

A Yes, sir, I believe it will.

MR. KELLAHIN: Move the introduction of Exhibits one and Two.

MR. NUTTER: Exhibits One and Two will be admitted in evidence.

MR. KELLAHIN: That concludes our examination.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Henry, you have run pipe on this Federal F-1.

A Yes, sir, we have.

Q But you haven't got a completion, so you really don't know for sure --

A We don't know whether we've got a well or not, no. I will mention one thing. Our upper sands, which the E, the D, and the C, to the east there are completed out of the Upper Morrow, or the A portion. We have some very poor sands developed in that section in the F. Now, we have in the Lower Morrow, below this structural marker, our best sand, but they have been wet in every well that we have tested over here to the east, but the log calculations show that they are best productive. We do not know.

Q On the F?

A On the F, but we do not know.

Q So while you are a little bit lower than the

C and the D, you think it may be dry over here? This Lower Morrow?

A. The Lower Morrow was tight in the E; in this F the Lower Morrow is porous, and the calculations show that water saturations are low enough that we think we have gas production.

Q. Well, didn't you say that the Lower Morrow was wet in the D and the C, though?

A. Yes.

Q. And so even though the F is lower than the C and the D, and it's wet in the C and D, apparently it's porous and dry in the F?

A. No. No, you're misunderstanding.

Q. Oh?

A. The D and the E, the D is the highest well.

Q. Uh-huh.

A. They are tight and nonproductive. And in the E we got a little bit of water out of it. Now, we drilled the E, which is -- the F, which is 65 feet high to the E, and our calculations from logs show that it is gas productive and not water wet.

Q. Okay.

A. So in other words, we're dealing with non-continuous reservoirs, it looks like.

Q. What's the Lower Morrow in the C, then?

A. In the C?

Q. Yes.

A. It is not perforated,

Q. I see.

MR. NUTTER: Are there any further questions
of this witness? He may be excused.

Do you have anything further, Mr. Kellahin?

MR. KELLAHIN: No, sir.

MR. NUTTER: Does anyone have anything they
wish to offer in Case Number 6334?

We'll take the case under advisement.

(Hearing concluded.)

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 the 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 W. Boyd CSR
Sally W. 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. 6334
heard by me on 9/27 1978.
[Signature], Examiner
Oil Conservation Division

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. 6334
Order No. R-3826

APPLICATION OF GRACE PETROLEUM
CORPORATION FOR AN UNORTHODOX GAS
WELL LOCATION, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on September 27, 1978, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 6th day of October, 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, Grace Petroleum Corporation, seeks approval of an unorthodox gas well location for its New Mexico Federal "G" Well No. 1 to be drilled at a point 4650 feet from the South line and 660 feet from the East line of Section 6, Township 21 South, Range 32 East, NMPM, to test the Morrow formation, South Salt Lake-Morrow Gas Pool, Lea County, New Mexico.
- (3) That Lots 9, 10, 15 and 16 and the SE/4 of said Section 6 are 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. 6334
Order No. R-5826

(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 Grace Petroleum Corporation New Mexico Federal "G" Well No. 1 to be located at a point 4650 feet from the South line and 660 feet from the East line of Section 6, Township 21 South, Range 32 East, NMPM, South Salt Lake-Morrow Gas Pool, Lea County, New Mexico.

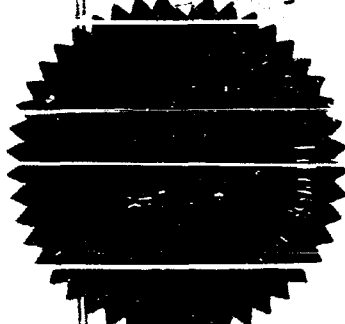
(2) That Lots 9, 10, 15 and 16 and the SE/4 of said Section 6 shall be dedicated to the above-described well.

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

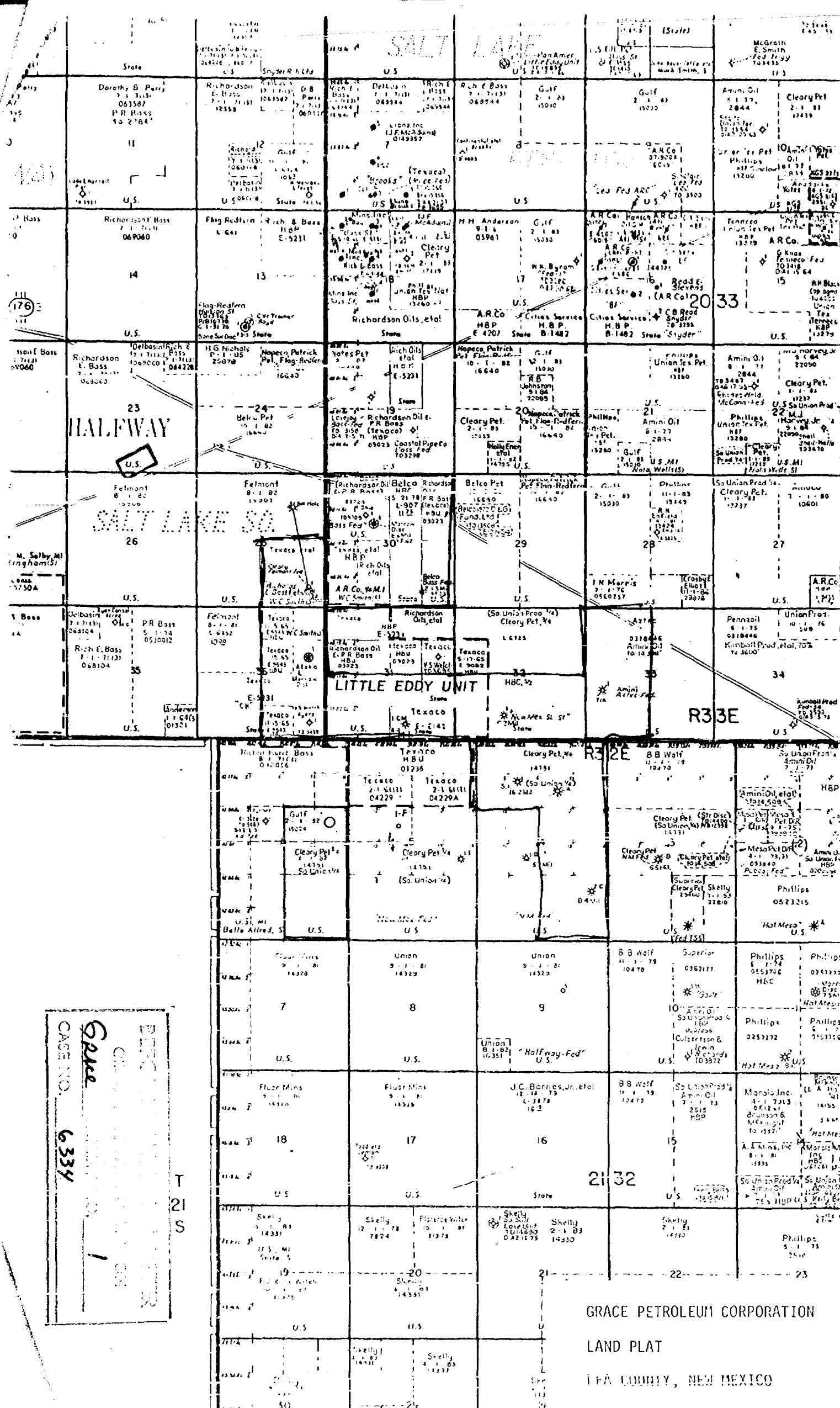
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOE D. RAMEY
Director


S E A L

fd/



CASE NO. 6334

GRACE PETROLEUM CORPORATION
LAND PLAT
IFA COUNTY, NEW MEXICO

Dockets Nos. 32-78 and 33-78 are tentatively set for hearing on October 11 and October 25, 1978. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 27, 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 6329: Application of David Fasken for unorthodox gas well locations and a non-standard proration unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox locations of the following three wells located in Township 21 South, Range 24 East, Cemetery-Morrow Gas Pool, Eddy County, New Mexico:

Ross Federal Com. Well No. 2 to be drilled 3300 feet from the South line and 660 feet from the West line of Section 4, Lots 9 through 16 of said section to be dedicated to the well; Ross Federal Com. Well No. 3 to be drilled 6040 feet from the South line and 460 feet from the West line of Section 4, to be dedicated to a 284.6-acre non-standard proration unit comprising Lots 1 through 8 of said section; and Shell Federal Com. Well No. 2 to be drilled 3300 feet from the South line and 660 feet from the West line of Section 5, Lots 9 through 16 of said section to be dedicated to the well.

CASE 6330: Application of Petroleum Corporation of Texas 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 NE/4 of Section 32, Township 24 North, Range 3 West, Chacon-Dakota Associated Pool, 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 6331: Application of American Petrofina Company of Texas for an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 990 feet from the South line and 990 feet from the East line of Section 29, Township 32 North, Range 9 West, Blanco-Mesaverde Pool, San Juan County, New Mexico, the E/2 of said Section 29 to be dedicated to the well.

CASE 6332: Application of Reading & Bates Oil and Gas Company for an unorthodox gas well location and a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of a well to be drilled 330 feet from the North line and 1650 feet from the West line of Section 5, Township 23 South, Range 36 East, Lea County, New Mexico, to produce gas from the Jalmat Yates formation and oil from the Langlie Mattix Seven Rivers formation.

CASE 6333: Application of Maddox Energy 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 27, Township 23 South, Range 28 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. In the alternative, applicant seeks an order pooling only the NE/4 of said section for the production of gas from formations above the Wolfcamp. 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 6334: Application of Grace Petroleum Corporation for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its New Mexico Federal "G" Well No. 1 to be drilled 4650 feet from the South line and 660 feet from the East line of Section 6, Township 21 South, Range 32 East, Lea County, New Mexico, Lots 9, 10, 15, and 16 and the SE/4 of said Section 6 to be dedicated to the well.

CASE 6335: Application of Continental Oil Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Jalmat gas and Langlie Mattix oil production within the wellbore of its Jack B-30 Well No. 2 located in Unit B of Section 30, Township 24 South, Range 37 East, Lea County, New Mexico.

CASE 6336: Application of Burleson & Huff 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 SE/4 of Section 11 and the W/2 SW/4 of Section 12, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, to be dedicated to a well at a standard location in Unit P of said Section 11.

CASE 6337: Application of Mark D. Wilson to limit application of pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks to limit the application of the McMillan-Morrow Gas Pool present rules to the horizontal limits of said pool only, Eddy County, New Mexico.

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

KELLAHIN and FOX
ATTORNEYS AT LAW
P. O. BOX 1769
SANTA FE, NEW MEXICO 87501

TELEPHONE 982-4313
AREA CODE 505

August 28, 1978

AUG 29 1978

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

Dear Mr. Ramey:

Enclosed please find the application of Grace Petroleum Corporation for approval of an unorthodox well location, Lea County. We would appreciate this being set for the next available hearing.

Yours very truly,

Jason Kellahin

Jason W. Kellahin

CC: Mr. Max Douglas

JWK:kfm

Enclosure

BEFORE THE
OIL CONSERVATION DIVISION
NEW MEXICO ENERGY AND MINERALS DEPARTMENT

IN THE MATTER OF THE APPLICATION
OF GRACE PETROLEUM CORPORATION
FOR APPROVAL OF AN UNORTHODOX WELL
LOCATION, LEA COUNTY, NEW MEXICO

AUG 19 1964

Case 6334

A P P L I C A T I O N

Comes now Grace Petroleum Corporation and applies to the Oil Conservation Division, New Mexico Energy and Minerals Department for approval of an unorthodox well location, Lea County, New Mexico, and in support thereof would show the Commission:

1. Applicant proposes to drill its New Mexico Federal "G" well at a location in the center of Lot 9, Section 6, Township 21 South, Range 32 East, N.M.P.M., Lea County, said location being approximately 4650 feet from the South line and 660 feet from the East line of Section 6.

2. The well is projected as a 14,500 Morrow test.

3. Applicant will dedicate to the well Lots ^{9, 10, 15, and} ~~8, 9, and~~ 16, and the SE/4 of Section 6, comprising approximately 320 acres more or less. The section is an irregular section lying along the Lea-Eddy county line.

4. Approval of the application will enable the applicant to recover its just and equitable share of the hydrocarbons underlying its lands, will result in the prevention of waste and will not impair correlative rights.

WHEREFORE applicant prays that this application be set for hearing before the Division's duly appointed examiner, and

that after notice and hearing as required by law, the Division enter its order approving the unorthodox well location as prayed for.

Respectfully submitted,
GRACE PETROLEUM CORPORATION

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

ATTORNEYS FOR APPLICANT

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. 6334

ORDER NO. R- 5826

APPLICATION OF GRACE PETROLEUM CORPORATION

FOR AN UNORTHODOX GAS WELL LOCATION,

LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on September 27,
19 78, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this _____ day of _____, 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, Grace Petroleum Corporation
for its New Mexico Federal "G" Well No. 1 to be drilled at a point
seeks approval of an unorthodox gas well location/ 4650

feet from the South line and 660 feet from the

East line of Section 6, Township 21 South

Range 32 East, NMPM, to test the Marrow

formation, South Salt Lake-Marrow Pool, Lea

County, New Mexico.

(3) That ~~the~~ Lots 9, 10, 15 and 16 and the SE/4
of said Section 6 are 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~~
the Grace Petroleum Corporation New Mexico Federal "G" Well No. 1
~~formation~~ is hereby approved for ~~a well~~ to be located at a point 4650
feet from the South line and 660 feet from the East
line of Section 6, Township 21 South, Range 32 East
NMPM, South Salt Lake-Harmon Gas Pool, Lea County,
New Mexico.

Lots 9, 10, 15 and 16 and the SE/4
(2) That ~~the~~ _____ of said Section 6 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.