

CASE 6947: KNOX INDUSTRIES, INC. FOR
POOL CONTRACTION AND CREATION AND AN
NGPA DETERMINATION, LEA COUNTY, NEW MEX.

CASE NO.

6947

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
25 June 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Know Industries, Inc.,) CASE
for pool contraction and creation,) 6947
and an NGPA determination, Lea)
County, New Mexico.)

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

W. Thomas Kellahin, Esq.
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Santa Fe, New Mexico 87501

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I N D E X

LELAND FRANZ

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Cross Examination by Mr. Stamets 13

E X H I B I T S

Applicant Exhibit One, Structure Map 3

Applicant Exhibit Two, Isopach 4

Applicant Exhibit Three, Log 10

Applicant Exhibit Four, Cross Section 10

Applicant Exhibit Five, Tabulation 7

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1 MR. STAMETS: Call next Case 6947.

2 MR. PADILLA: Application of Knox Indus-
3 tries, Inc., for pool contraction and creation and an NGPA
4 determination, Lea County, New Mexico.

5 MR. KELLAHIN: I'm Tom Kellahin of Santa
6 Fe, New Mexico, appearing on behalf of the applicant.

7 If the Examiner please, I'd like to have
8 the record reflect that Mr. Franz has qualified as a petroleum
9 engineer, that is sworn and still under oath, and that he
10 will be the expert in this case.

11 MR. STAMETS: He is so qualified and
12 sworn.

13
14 LELAND FRANZ
15 having been called as a witness and being previously sworn upon
16 his oath, testified as follows, to-wit:

17
18 DIRECT EXAMINATION

19 BY MR. STAMETS:

20 Q Mr. Franz, would you identify for us what
21 we're marked as Exhibit Number One?

22 A All right, this is the same exhibit we
23 had in the previous case, a structure map on top of the Morrow
24 Lime based upon the tope encountered on all the Morrow tests
25 within the area of this map.

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1 Q Let me ask you again, Mr. Franz, in this
2 particular area is Morrow production significantly affected
3 by structural position?

4 A No, sir.

5 Q All right, let's go on to Exhibit Number
6 Two. Would you identify for us what Exhibit Number Two is?

7 A Exhibit Two is an Isopachous map based
8 upon three points, indicating two separate sand lenses in the
9 Morrow Sand.

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11 subject well for this application?

12 A The subject well is marked by the two
13 rather large arrows there in Section 2.

14 Q What is the footage location?

15 A The footage location is some strange
16 numbers, it's 1784 feet from the north line and 1650 feet
17 from the west line of Section 2.

18 Q What would be the acreage dedication to
19 the Morrow well?

20 A We would dedicate the north half of Sec-
21 tion 2.

22 Q Are you familiar with the La Rica-Morrow
23 Field?

24 A Yes, I am.

25 Q Would you identify for us what the current

1 horizontal extent of that field?

2 A All right. The field extends to the
3 south half of Section 33 in 18 South, 34 East; Sections 4 and
4 3 of 19 South, 34 East.

5 Q Currently the subject well would be obli-
6 gated to comply with the spacing rules of the La Rica Field
7 because it is within a mile of the boundaries of that field.

8 A That's correct.

9 Q What is the sapcing .for that field?

10 A 640 acres.

11 Q And what is the proposed spacing for the
12 discovery well in the offsetting adjacent acreage?

13 A 320 acres, statewide.

14 Q While we're on this point, Mr. Franz,
15 would you identify for us how you propose to have the horizon-
16 tal limits of the La Rica Field redefined and what acreage
17 you would have released from being subject to the 640 spacing
18 rules?

19 A We would like to have released from the
20 rule all of Section 3 of 19 South, 34 East. The reason for
21 this is that we feel that these low point bars offer addi-
22 tional opportunities for exploratory drilling and we have a
23 deal made with Coquina to farm out from them the east half of
24 Section 3 for another Morrow test.

25 Q If Section 3 is deleted from the La Rica

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2 3?

3 A. We would drill a well in the east half of
4 Section 3, probably in the northeast quarter, and dedicate the
5 north half to that well and the south half to the existing
6 Coquina well.

7 Q. Coquina is the operator of Section 3?

8 A. I've got that wrong. I believe it's the
9 east and west halves.

10 Q. All right, sir.

11 A. East and west halves of Section 3; not
12 the north and south.

13 Q. Coquina Oil Company is the operator of
14 Section 3?

15 A. Right.

16 Q. And have you been in contact with Coquina
17 concerning this application?

18 A. Yes, we have.

19 Q. Are they in agreement or disagreement with
20 you?

21 A. They agree.

22 Q. If that acreage is deleted from the La
23 Rica-Morrow Field, what would happen to the balance of the
24 acreage then in Sections 1, 2, and the south half 35?

25 A. They would revert to statewide 320-acre

1 spacing.

2 Q In your opinion, Mr. Franz, is 320-acre
3 spacing for that particular acreage a reasonable and logical
4 spacing development for this area?

5 A Yes, it seems to be.

6 Q Upon what facts do you base that opinion?

7 A Based on the reserve determinations that
8 we've made on these wells and pressure history of the wells.

9 Q All right, sir, let's go to that. Would
10 you examine the tabulation of pressure and reserve data, which
11 I believe is Exhibit Number Five. I'd like to go to that next.
12 Is that Five? Let's look at Exhibit Number Five.

13 By using Exhibit Number Two to orient us
14 as to well location, would you identify for us the information
15 on Exhibit Five?

16 A All right. The Union Oil Company Pipeline
17 Federal No. 1 is the well in the southwest southwest Section 4,
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19 This well was drilled in 1971; had an
20 initial bottom hole pressure of 6499 pounds. Based upon the
21 pay thickness encountered in that well, one could estimate
22 volumetric reserves on the order of 6-billion cubic feet of
23 gas and 210,000 barrels of condensate, for a 320-acre unit.

24 Now this well has produced to this point
25 in time over 19-billion feet and 656,000 barrels of condensate.

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1 which indicates that some combination of thickness and area
2 is quite a bit more than the thickness indicated in the well
3 or the 320 acres.

4 Q Based upon your study of the pressure
5 information and the production of the Union Well, would you
6 recommend that that well continue to be spaced on 640 or some
7 other spacing?

8 A Yes, 640 acres appears to be, if anything,
9 too small.

10 Q Now let's go to the Coquina well in Sec-
11 tion 3.

12 A Right.

13 Q What does your study indicate there?

14 A Okay, at the time that the Coquina Well
15 was drilled in late 1975, the Union Well had already produced
16 15-billion feet and was at a bottom hole pressure of about
17 2000 pounds.

18 The Coquina Well on its initial pressure
19 recorded 6552 pounds per square inch on January 1st, 1976.
20 Taking the net feet of pay from electric logs in the Coquina
21 Well and using 320-acre spacing, one can estimate reserves
22 of 5.4 billion feet, 190,000 barrels of condensate.

23 To this date the well has produced 3.4
24 billion feet and 119,000 barrels of condensate, and extrapo-
25 lation of the P/Z versus cum curve indicates an ultimate pro-

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1 duction of about 4.4 billion feet.

2 So 320 acres appears to be about right
3 for that well.

4 It also indicates from the initial pres-
5 sures that there is no pressure communication between the
6 Coquina Well and the Union Well.

7 Q All right, sir, let's continue on across
8 and have you identify for us the Knox Industries Well in Sec-
9 tion 2.

10 A All right, the Knox Industries Well in
11 the northwest quarter of Section 2 was drilled this spring
12 and had an initial shut-in bottom hole pressure of 6483 on
13 May the 2nd.

14 At the same time the Coquina Well was
15 nearly depleted with a bottom hole pressure of only 1300
16 pounds and was on a compressor.

17 Q How long had the Coquina Well produced
18 prior to the time the Knox Industries Well was completed?

19 A About four years.

20 Q What conclusion do you arrive at from
21 your study as to -- between the Knox Well and the Coquina Well?
22 Are they in the same reservoir?

23 A They are not. The pressure clearly in-
24 dicates that they're in different reservoirs and also indicates
25 that there is a good possibility of encountering another little

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1 pod in between the two.

2 Q What does your study of the Knox Industries
3 well in Section 2 lead you to conclude concerning the number
4 of acreage -- acres that ought to be dedicated to that well?

5 A Well, it seems to us that 320 acres ought
6 to be adequate.

7 Q I'd like you to go back and briefly dis-
8 cuss the cross section, which is Exhibit Number Three, Mr.
9 Franz.

10 A Okay, Exhibit Three is cross section
11 A-A', showing on the left the Union Well, in the center the
12 Coquina Well, on the right the Knox Well.

13 MR. STAMETS: That's Exhibit Four.

14 MR. KELLAHIN: Four, I'm sorry.

15 A Beg your pardon. Exhibit Four.

16 Exhibit Four really doesn't show very
17 much except that there is a distinct difference in appearance
18 in the Morrow sand in those three wells. They all appear to
19 be about the same correlative age but the different thickness
20 by considerable degree, and as we've already shown by pressure
21 information, they are not connected.

22 Q I'd like to have you identify Exhibit
23 Three, which is the type log, Mr. Franz.

24 A Exhibit Three is the electric log of the
25 Knox Industries New Mexico State No. 1, and shows the -- that

1 the well penetrated the Chester Lime and was plugged back and
2 completed in the Morrow at the red box there; a depth of 13,570
3 to 87.

4 Q I note that the advertisement in this
5 case fails to advertise the location of this discovery well.
6 Was the discovery well approved as to location in the Morrow;
7 was not because it was spaced upon a 640-acre dedication,
8 right?

9 A Now say it again?

10 Q Yes, sir. The location of the well 1650
11 from the west line and 1784 from the north line, would have
12 been a standard location pursuant to the La Rica Pool rules,
13 which is based on 640 acres.

14 A Yes, it would have been a standard loca-
15 tion.

16 Q But if the pool rules are changed to a
17 320-acre spacing, then the corresponding well locations of
18 1980 from the end line and 660 from the side line would be
19 an unorthodox location.

20 A Yes, I believe that's correct, by 100
21 feet or so.

22 MR. STAMETS: Which well is this, Tom?

23 MR. KELLAHIN: The discovery well. You
24 would have to grandfather it in if you change the rules.

25 MR. STAMETS: What's the location on

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1 that well?

2 MR. KELLAHIN: 1650 from the west and
3 1784 from the north line.

4 MR. STAMETS: Okay, that's no problem.
5 I believe it's standard operating procedure.

6 We've referred to the Knox well as the
7 discovery well but the Coquina Well is a discovery well, also.

8 A All three of them apparently were dis-
9 covery wells.

10 MR. STAMETS: So -- okay, but you're
11 saying, your testimony is that the Union Well obviously has
12 drained 640 acres so it should be treated differently with
13 separate rules from the Coquina and Knox Wells?

14 A Right.

15 Q Mr. Franz, do you have a proposed name
16 for the new field?

17 A I don't see any reason to change the name
18 of the field. It's just a different -- different reservoir
19 within the field, if that suits the Commission.

20 MR. STAMETS: Can't hardly do that.

21 A Well.

22 MR. STAMETS: But I think we can do some-
23 thing simple like the East La Rica-Morrow.

24 A Okay.

25 Q In conclusion, then, Mr. Franz, in your

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1 opinion is the Know well in the north half of Section 2 pro-
2 ducing from a new onshore reservoir pursuant to Section 102 of
3 the Natural Gas Policy Act?

4 A Yes, sir, it is.

5 Q In your opinion is the creation of a new
6 pool justified based upon 320-acre spacing as an appropriate
7 number of acreage to dedicate to this pool and for the ade-
8 quate and reasonable development of the pool?

9 A Yes, sir.

10 Q Were the Exhibits One through Five com-
11 piled under your direction and supervision, or obtained by
12 you from Knox Industries files?

13 A Yes, they were.

14 Q In your opinion will approval of this
15 application be in the best interests of conservation, the
16 prevention of waste, and the protection of correlative rights?

17 A Yes, sir.

18 MR. KELLAHIN: Move the introduction of
19 Exhibits One through Five.

20 MR. STAMETS: These exhibits will be ad-
21 mitted.

22
23 CROSS EXAMINATION

24 BY MR. STAMETS:

25 Q Mr. Franz, I notice some other wells in

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1 the general vicinity that appear to have penetrated this zone
2 but you haven't given us any evidence related to them.

3 A. Every well on the map penetrated the
4 Morrow.

5 Q. Okay.

6 A. There are a lot of other wells, shallower
7 wells.

8 Q. It would seem that we should have some
9 evidence relating to the Antweil Teapot Well in Section 34;
10 Amoco State 1-FU in 25; Marathon NPA No. 1 in Section 6; and --

11 MR. KELLAHIN: Excuse me, I'm still
12 looking for the well in 25.

13 Q. I'm sorry, north and east, Tom.

14 MR. KELLAHIN: Okay.

15 Q. And the well in Section 6 is to the
16 south of 25.

17 MR. KELLAHIN: That's the Marathon well?

18 Q. Right.

19 MR. KELLAHIN: Okay.

20 Q. And the Texas Oil and Gas well, Scharb
21 2 State in Section 2.

22 A. These are all Morrow dry holes.

23 Q. And also the Gulf NCT-B No. 1 "ED" in Sec-
24 tion 10

25 A. That's a Morrow dry hole.

1 Q All right, I realize that and I know
2 that's what the map says; however, when we are dealing with
3 the friendly folks at FERC, we need something more than just
4 a simple statement that they were dry holes. We need some
5 sort of cross sections or reports based on what happened in
6 those particular wells; if there were any DST's taken in those
7 zones; if logs demonstrate that the wells are tight in those
8 zones.

9 A I just happen to have scout tickets on
10 every well. Just a minute here.

11 Q That would be a good start.

12 MR. KELLAHIN: Perhaps we might do this,
13 Mr. Examiner, if you'll allow us subsequent to the hearing to
14 introduce an exhibit or exhibits containing the information
15 requested on those five wells, we'd be glad to.

16 Q I feel that under this set of circum-
17 stances we can probably do that. I would hope that we don't
18 discover anything when we look at those that involves or causes
19 a whole lot of trouble, but if you're confident that we won't,
20 I think we can go ahead and take this under advisement with
21 the supplemental information to be received.

22 MR. KELLAHIN: Thank you.

23 A Okay, can we go over those five again?
24 That was the Teapot Well in 34?

25 Q Right.

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1 A. And the Amoco Well in 25.
2 MR. KELLAHIN: The Marathon Well. That's
3 the Texaco Well and the Marathon Well.
4 A. This one and this one.
5 MR. KELLAHIN: Texas Oil and Gas and the
6 Gulf Well.
7 A. Okay.
8 MR. STAMETS: Did you get the one in Sec-
9 tion 10, the Gulf well?
10 A. Right.
11 MR. KELLAHIN: Yes, sir.
12 MR. STAMETS: Okay. Sounds like that with
13 what we have already should be sufficient.
14 A. Perhaps a cross section.
15 MR. STAMETS: Yes, that would help if we
16 could tie those together on a --
17 A. Okay.
18 MR. STAMETS: You could make one of those
19 spiral cross sections as far as I'm concerned, so that perhaps
20 they could all be shown on the same piece of evidence and
21 some demonstration of why that zone wasn't productive in those
22 wells.
23 Anything further in this case?
24 With the supplemental information requested,
25 the case will be taken under advisement.

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing 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.

Sally W. Boyd C.S.R.

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I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 6942, heard by me on 8-25-1980.
Richard L. Smith, Examiner
Oil Conservation Division

STATE OF NEW MEXICO
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24 billion feet and 119,000 barrels of condensate, and extrapo-
25 lation of the P/Z versus cum curve indicates an ultimate pro-

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1 duction of about 4.4 billion feet.

2 So 320 acres appears to be about right
3 for that well.

4 It also indicates from the initial pres-
5 sures that there is no pressure communication between the
6 Coquina Well and the Union Well.

7 Q All right, sir, let's continue on across
8 and have you identify for us the Knox Industries Well in Sec-
9 tion 2.

10 A All right, the Knox Industries Well in
11 the northwest quarter of Section 2 was drilled this spring
12 and had an initial shut-in bottom hole pressure of 6483 on
13 May the 2nd.

14 At the same time the Coquina Well was
15 nearly depleted with a bottom hole pressure of only 1300
16 pounds and was on a compressor.

17 Q How long had the Coquina Well produced
18 prior to the time the Knox Industries Well was completed?

19 A About four years.

20 Q What conclusion do you arrive at from
21 your study as to -- between the Knox Well and the Coquina Well?
22 Are they in the same reservoir?

23 A They are not. The pressure clearly in-
24 dicates that they're in different reservoirs and also indicates
25 that there is a good possibility of encountering another little

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1 pod in between the two.

2 Q What does your study of the Knox Industries
3 well in Section 2 lead you to conclude concerning the number
4 of acreage -- acres that ought to be dedicated to that well?

5 A Well, it seems to us that 320 acres ought
6 to be adequate.

7 Q I'd like you to go back and briefly dis-
8 cuss the cross section, which is Exhibit Number Three, Mr.
9 Franz.

10 A Okay, Exhibit Three is cross section
11 A-A', showing on the left the Union Well, in the center the
12 Coquina Well, on the right the Knox Well.

13 MR. STAMETS: That's Exhibit Four.

14 MR. KELLAHIN: Four, I'm sorry.

15 A Beg your pardon. Exhibit Four.

16 Exhibit Four really doesn't show very
17 much except that there is a distinct difference in appearance
18 in the Morrow sand in those three wells. They all appear to
19 be about the same correlative age but the different thickness
20 by considerable degree, and as we've already shown by pressure
21 information, they are not connected.

22 Q I'd like to have you identify Exhibit
23 Three, which is the type log, Mr Franz.

24 A Exhibit Three is the electric log of the
25 Know Industries New Mexico State No. 1, and shows the -- that

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1 the well penetrated the Chester Lime and was plugged back and
2 completed in the Morrow at the red box there; a depth of 13,570
3 to 87.

4 Q I note that the advertisement in this
5 case fails to advertise the location of this discovery well.
6 Was the discovery well approved as to location in the Morrow;
7 was not because it was spaced upon a 640-acre dedication,
8 right?

9 A Now say it again?

10 Q Yes, sir. The location of the well 1650
11 from the west line and 1784 from the north line, would have
12 been a standard location pursuant to the La Rica Pool rules,
13 which is based on 640 acres.

14 A Yes, it would have been a standard loca-
15 tion.

16 Q But if the pool rules are changed to a
17 320-acre spacing, then the corresponding well locations of
18 1980 from the end line and 660 from the side line would be
19 an unorthodox location.

20 A Yes, I believe that's correct, by 100
21 feet or so.

22 MR. STAMETS: Which well is this, Tom?

23 MR. KELLAHIN: The discovery well. You
24 would have to grandfather it in if you change the rules.

25 MR. STAMETS: What s the location on

1 that well?

2 MR. KELLAHIN: 1650 from the west and
3 1784 from the north line.

4 MR. STAMETS: Okay, that's no problem.
5 I believe it's standard operating procedure.

6 We've referred to the Knox well as the
7 discovery well but the Coquina Well is a discovery well, also.

8 A All three of them apparently were dis-
9 covery wells.

10 MR. STAMETS: So -- okay, but you're
11 saying, your testimony is that the Union Well obviously has
12 drained 640 acres so it should be treated differently with
13 separate rules from the Coquina and Knox Wells?

14 A Right.

15 Q Mr. Franz, do you have a proposed name
16 for the new field?

17 A I don't see any reason to change the name
18 of the field. It's just a different -- different reservoir
19 within the field, if that suits the Commission.

20 MR. STAMETS: Can't hardly do that.

21 A Well.

22 MR. STAMETS: But I think we can do some-
23 thing simple like the East La Rica-Morrow.

24 A Okay.

25 Q In conclusion, then, Mr. Franz, in your

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1 opinion is the Know well in the north half of Section 2 pro-
2 ducing from a new onshore reservoir pursuant to Section 102 of
3 the Natural Gas Policy Act?

4 A Yes, sir, it is.

5 Q In your opinion is the creation of a new
6 pool justified based upon 320-acre spacing as an appropriate
7 number of acreage to dedicate to this pool and for the ade-
8 quate and reasonable development of the pool?

9 A Yes, sir.

10 Q Were the Exhibits One through Five com-
11 piled under your direction and supervision, or obtained by
12 you from Knox Industries files?

13 A Yes, they were.

14 Q In your opinion will approval of this
15 application be in the best interests of conservation, the
16 prevention of waste, and the protection of correlative rights?

17 A Yes, sir.

18 MR. KELLAHIN: Move the introduction of
19 Exhibits One through Five.

20 MR. STAMETS: These exhibits will be ad-
21 mitted.

22 CROSS EXAMINATION

23 BY MR. STAMETS:

24 Q Mr. Franz, I notice some other wells in
25

1 the general vicinity that appear to have penetrated this zone
2 but you haven't given us any evidence related to them.

3 A. Every well on the map penetrated the
4 Morrow.

5 Q. Okay.

6 A. There are a lot of other wells, shallower
7 wells.

8 Q. It would seem that we should have some
9 evidence relating to the Antweil Teapot Well in Section 34;
10 Amoco State 1-FU in 25; Marathon NPA No. 1 in Section 6; and --

11 MR. KELLAHIN: Excuse me, I'm still
12 looking for the well in 25.

13 Q. I'm sorry, north and east, Tom.

14 MR. KELLAHIN: Okay.

15 Q. And the well in Section 6 is to the
16 south of 25.

17 MR. KELLAHIN: That's the Marathon well?

18 Q. Right.

19 MR. KELLAHIN: Okay.

20 Q. And the Texas Oil and Gas well, Scharb
21 2 State in Section 2.

22 A. These are all Morrow dry holes.

23 Q. And also the Gulf NCT-B No. 1 "ED" in Sec-
24 tion 10

25 A. That's a Morrow dry hole.

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1 Q All right, I realize that and I know
2 that's what the map says; however, when we are dealing with
3 the friendly folks at FERC, we need something more than just
4 a simple statement that they were dry holes. We need some
5 sort of cross sections or reports based on what happened in
6 those particular wells; if there were any DST's taken in those
7 zones; if logs demonstrate that the wells are tight in those
8 zones.

9 A I just happen to have scout tickets on
10 every well. Just a minute here.

11 Q That would be a good start.

12 MR. KELLAHIN: Perhaps we might do this,
13 Mr. Examiner, if you'll allow us subsequent to the hearing to
14 introduce an exhibit or exhibits containing the information
15 requested on those five wells, we'd be glad to.

16 Q I feel that under this set of circum-
17 stances we can probably do that. I would hope that we don't
18 discover anything when we look at those that involves or causes
19 a whole lot of trouble, but if you're confident that we won't,
20 I think we can go ahead and take this under advisement with
21 the supplemental information to be received.

22 MR. KELLAHIN: Thank you.

23 A Okay, can we go over those five again?
24 That was the Teapot Well in 34?

25 Q Right.

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1 A. And the Amoco Well in 25.
2 MR. KELLAHIN: The Marathon Well. That's
3 the Texaco Well and the Marathon Well.
4 A. This one and this one.
5 MR. KELLAHIN: Texas Oil and Gas and the
6 Gulf Well.
7 A. Okay.
8 MR. STAMETS: Did you get the one in Sec-
9 tion 10, the Gulf well?
10 A. Right.
11 MR. KELLAHIN: Yes, sir.
12 MR. STAMETS: Okay. Sounds like that with
13 what we have already should be sufficient.
14 A. Perhaps a cross section.
15 MR. STAMETS: Yes, that would help if we
16 could tie those together on a --
17 A. Okay.
18 MR. STAMETS: You could make one of those
19 spiral cross sections as far as I'm concerned, so that perhaps
20 they could all be shown on the same piece of evidence and
21 some demonstration of why that zone wasn't productive in those
22 wells.
23 Anything further in this case?
24 With the supplemental information requested,
25 the case will be taken under advisement.

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing 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.

SALLY W. BOYD, C.S.R.

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I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. _____ heard by me on _____ 19____

_____, Examiner
Oil Conservation Division

Reserves and Pressure Data

Union Oil Co. - Pipeline - Federal No. 1

Unit "M" - Sec. 4-19S-34E, Lea Co., N.M.

ISIBHP 6499 psig on 10/9/71 - Datum 13,431'

Est. Volumetric Reserves - h = 20', A = 320 acres

6 BCF gas, 210,500 Bbls. cond.

Actual production to 1/1/76 - BHP 2016 psig (est.)

15.15 BCF gas, 611,350 Bbls. cond.

Actual production to 1/1/80 - BHP 1103 psig.

19.42 BCF gas, 656,300 Bbls. cond.

Est. Ultimate, P/Z extrapolation

24 BCF, 800,000 Bbls. cond.

Coquina Oil Corp. - Union - State No. 1

Unit "K" - Sec. 3-19S-34E, Lea Co., N.M.

ISIBHP 6552 psig on 1/1/76 Datum 13,650'

Est. Volumetric Reserves - h = 18', A = 320 Acres.

5.4 BCF gas, 190,000 Bbls. cond.

Actual production to 1/1/80 - BHP 1300 psig

3.4 BCF gas, 119,000 Bbls. cond.

Estimated Ultimate, P/Z extrapolation

4.36 BCF gas, 154,000 Bbls. cond.

Knox Industries, Inc. - N.M. State No. 1

Unit "F" - Sec. 2-19S-34E, Lea Co., N.M.

ISIBHP 6483 psig on 5/2/80 - Datum 13,578'

Estimated Volumetric Reserves - h = 14', A = 320 Acres

4.22 BCF gas, 147,000 Bbls. cond.

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION

Knox EXHIBIT NO. 5

CASE NO. 6947

Submitted by _____

Hearing Date 24 Jun 80



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

August 6, 1980

Mr. Thomas Kellahin
Kellahin & Kellahin
Attorneys at Law
Post Office Box 1769
Santa Fe, New Mexico

Re: CASE NO. 6947
ORDER NO. R 6416

Applicant:

Knox Industries, Inc.

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 OCD _____ x
Artesia OCD _____ x
Aztec OCD _____

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. 6947
Order No. R-6416
NOMENCLATURE

APPLICATION OF KNOX INDUSTRIES, INC.
FOR POOL CONTRACTION AND CREATION AND
AN NGPA DETERMINATION, LEA COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on June 25, 1980,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 4th day of August, 1980, 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, Knox Industries, Inc., seeks a
determination by the Division, in accordance with Sections 2 (6)
and 102 of the Natural Gas Policy Act of 1978, and the applicable
rules of the Federal Energy Regulatory Commission, that its New
Mexico State Well No. 1, located in Unit F of Section 2, Township
19 South, Range 34 East, NMPM, Lea County, New Mexico, has dis-
covered a new onshore reservoir from which natural gas was not
produced in commercial quantities before April 20, 1977.

(3) That said well was completed in the Morrow formation
on April 25, 1980, through perforations from 13,571 feet to
13,585 feet.

(4) That although there are several wells in the general
vicinity of the subject well which have penetrated or are

-2-

Case No. 6947
Order No. R-6416

completed in the Morrow formation, pressures and productive capacity encountered in said New Mexico State Well No. 1 as compared to said wells are completely distinctive and are indicative of an undrained reservoir.

(5) That the combined geological and engineering data presented establishes that said New Mexico State Well No. 1 has been completed in a new onshore reservoir as defined by the provisions of Section 102 of the Natural Gas Policy Act of 1978 and the applicable rules of the Federal Energy Regulatory Commission.

(6) That said New Mexico State Well No. 1 is completed within one mile of the La Rica-Morrow Gas Pool as previously defined and described in Lea County, New Mexico, and is subject to the Special Rules and Regulations for said pool including the requirement for 640-acre spacing and proration units.

(7) That the evidence presented in this case demonstrated that said New Mexico State Well No. 1 has discovered a new common source of supply in the Morrow formation separate from the La Rica-Morrow Gas Pool.

(8) That the evidence presented in this case demonstrated that said New Mexico State Well No. 1 is not expected to drain 640 acres.

(9) That the evidence presented in this case further demonstrates that a La Rica-Morrow Gas Pool well located in Section 3, Township 19 South, Range 34 East, is incapable of draining 640 acres and that said section should be deleted therefrom.

(10) That the La Rica-Morrow Gas Pool in Lea County, New Mexico, as previously defined and described should be contracted by the deletion of said Section 3.

(11) That a new gas pool for Morrow production consisting of Sections 2 and 3, Township 19 South, Range 34 East, Lea County, New Mexico, should be created and designated the East La Rica-Morrow Gas Pool.

IT IS THEREFORE ORDERED:

(1) That the Knox Industries, Inc. New Mexico State Well No. 1, located in Unit F of Section 2, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico, is completed in a new

-3-

Case No. 6947
Order No. R-6416

onshore reservoir as defined by Sections 2 (6) and 102 of the Natural Gas Policy Act of 1978, and the applicable rules of the Federal Energy Regulatory Commission.

IT IS FURTHER ORDERED:

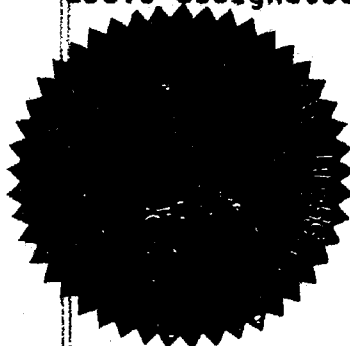
(1) That the La Rica-Morrow Gas Pool in Lea County, New Mexico, as previously defined and described, is hereby contracted by the deletion therefrom of Section 3, Township 19 South, Range 34 East, NMPM.

(2) That a new gas pool for Morrow production consisting of Sections 2 and 3, Township 19 South, Range 34 East, Lea County, New Mexico, is hereby created and designated the East La Rica-Morrow Gas Pool.

(3) That the effective date of this order and of the pool contraction and creation contained herein shall be August 1, 1980.

(4) 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.



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Joe D. Rahey
JOE D. RAHEY
Director

rd/

Jason Kellahin
W. Thomas Kellahin
Karen Aubrey

KELLAHIN and KELLAHIN
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Telephone 982-4285
Area Code 505

July 15, 1980

Mr. Richard L. Stamets
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501

RE: Knox Industries
NMOCD Case No. 6947
June 25, 1980

Dear Dick:

In accordance with your direction at the hearing on June 25, 1980, Knox Industries has prepared and I enclose the various Cross Sections (3 copies) and a revised Isopachous map (3 copies) which show the limited nature of the small "point bar" deposits and establish the existence of a new reservoir.

Very truly yours,


W. Thomas Kellahin

WTK:jm
cc: M. Leland Franz (Knox Industries)

Dockets Nos. 20-80 and 21-80 are tentatively set for July 9 and 23, 1980. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - JUNE 25, 1980

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

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

CASE 6891: (Readvertised)

✓ In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Midwest Refining Company, United States Fidelity & Guaranty Company, and all other interested parties to appear and show cause why the State Well No. 1 located in Unit A of Section 16, Township 33 South, Range 14 West, Hidalgo County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

✓ CASE 6929: Application of Consolidated Oil & Gas, Inc. for downhole commingling, *Rio Arriba* San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Blanco Mesaverde and Basin-Dakota production in the wellbore of its NCRA Well No. 1-E located in Unit C of Section 22, Township 26 North, Range 7 West, by using the Dakota gas for gas lift of Mesaverde liquids after metering on the surface.

* CASE 6930: Application of Amoco Production Company for an unorthodox well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Empire South Deep Unit Well No. 21 to be drilled 660 feet from the North and East lines of Section 36, Township 17 South, Range 28 East, the E/2 of said Section 36 to be dedicated to the well.

✓ CASE 6931: Application of H. L. Harvey for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of ~~Aztec-Fruitland~~ and ~~Bloomfield-Farmington~~ production in the wellbore of his Jones Well No. 3 located in Unit B of Section 13, Township 29 North, Range 11 West.

CASE 6917: (Continued from June 4, 1980, Examiner Hearing)

✓ Application of Yates Petroleum Corporation for an NGPA determination, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir determination for its Goat Roper "LP" Com. Well No. 1 located in Unit P of Section 30, Township 17 South, Range 26 East.

✓ CASE 6932: Application of Yates Petroleum 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 State "JM" Well No. 2, a Morrow test to be drilled 660 feet from the South and East lines of Section 23, Township 18 South, Range 24 East, the S/2 of said Section 25 to be dedicated to the well.

Cont 7-9
✓ CASE 6933: Application of Yates Petroleum Corporation for two compulsory poolings, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying two 320-acre proration units, being the N/2 and the S/2 of Section 2, Township 19 South, Range 25 East, each 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 wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells, and a charge for risk involved in drilling said wells.

Cont 7-9
✓ CASE 6934: Application of Coronado Exploration Corporation for three compulsory poolings, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the San Andres formation underlying three 40-acre proration units, being the NW/4 SE/4 of Section 6, the NE/4 SE/4 of Section 28, and the SW/4 NW/4 of Section 33, all in Township 11 South, Range 28 East, each 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 wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells, and a charge for risk involved in drilling said wells.

CASE 6901: (Continued from May 21, 1980, Examiner Hearing)

Cont 7-23
Application of Harvey E. Yates Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp thru Mississippian formations underlying the E/2 of Section 19, Township 14 South, Range 36 East, 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 6935: Application of Dugan Production Corporation for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Basin-Dakota and undesignated Gallup production in the wellbore of its June Joy Well No. 2 located in Unit B of Section 25, Township 24 North, Range 10 West.

✓
CASE 6936: Application of Dugan Production Corporation for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Dakota formation underlying the S/2 of Section 26, Township 30 North, Range 14 West, 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, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 6916: (Continued from June 4, 1980, Examiner Hearing)

✓
Application of Petro-Lewis Corporation for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of the Drinkard and Blinbry production in the wellbore of its State DC Well No. 1, a quadruple completion located in Unit F of Section 19, Township 21 South, Range 37 East.

✓
CASE 6937: Application of R. N. Hillin for an unorthodox location and dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of his DWV Well No. 4 to produce gas from the Wolfcamp and Morrow formations thru tubing and the annulus, respectively. Applicant further seeks approval of the unorthodox location of said well in the Wolfcamp and Pennsylvanian formations at a point 800 feet from the South line and 2000 feet from the East line of Section 34, Township 19 South, Range 28 East.

✓
CASE 6938: Application of Anadarko Production Company for an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Dalport Federal Well No. 1 660 feet from the South and West lines of Section 20, Township 13 South, Range 31 East, Southeast Chaves Queen Gas Area, the W/2 of said Section 20 to be dedicated to the well.
cont 8-20

✓
CASE 6939: Application of Anadarko Production Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests at a depth from 2400 feet to 5000 feet below the surface, Turkey Track Field, underlying the NE/4 SE/4 of Section 10, Township 19 South, Range 29 East, 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, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
cont 8-20

✓
CASE 6940: Application of Adobe Oil Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down through the Wolfcamp formation underlying the NW/4 SE/4 for oil and the SE/4 for gas, Section 23, Township 20 South, Range 38 East, 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, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
cont 7-23

✓
CASE 6941: Application of Ellwade Corporation for a non-standard gas proration unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 129.52-acre non-standard gas proration unit comprising the W/2 of partial Section 33, Township 26 South, Range 30 East, Ross Draw-Wolfcamp area, to be dedicated to its Ross Draw Well No. 1 located in Unit C of said Section 33.

✓
CASE 6942: Application of Benson-Montin-Greer Drilling Corporation for amendment of Order No. R-2565-B, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Rule 2 of the Special Pool Rules for the West Puerto Chiquito-Mancos Oil Pool as promulgated by Order No. R-2565-B to provide that all 320-acre spacing and proration units in said pool would comprise either the W/2 or the E/2 of a governmental section, provided however, that one injection well would have dedicated thereto the N/2 of Section 1, Township 24 North, Range 1 West, and also that the short 400-acre sections on the South side of Township 27 North, Range 1 West, would each comprise a single spacing unit.
cont 7-9

✓
CASE 6943: Application of Benson-Montin-Greer Drilling Corporation for a unit agreement, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the East Puerto Chiquito-Mancos Unit Area, comprising 9,769 acres, more or less, of Federal, Indian, and fee lands in Townships 26 and 27 North, Ranges 1 East and 1 West.
cont 7-9

Cont 7-9

CASE 6944: Application of Benson-Montin-Greer Drilling Corporation for a pressure maintenance project, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a pressure maintenance project by the injection of gas, air, LPG, water, or chemicals into the Mancos formation thru 7 wells on its East Puerto Chiquito-Mancos Unit Area.

CASE 6945: Application of ARCO Oil and Gas Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Yates-Seven Rivers formation in the interval from 3550 feet to 4000 feet in its Fletcher Well No. 4 in Unit J of Section 27, Township 20 South, Range 34 East, Lynch Field.

✓
CASE 6946: Application of Knox Industries, Inc. for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be recompleted in the Morrow formation at a point 1980 feet from the North line and 660 feet from the East line of Section 1, Township 19 South, Range 34 East, the N/2 of said Section 1 to be dedicated to the well.

✓
CASE 6947: Application of Knox Industries, Inc. for pool contraction and creation and an NCPA determination, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order deleting certain lands from the La Rica-Morrow Gas Pool and creating a new gas pool from said lands together with a determination that applicant's NM State Well No. 1 located in Unit F of Section 2, Township 19 South, Range 34 East, has discovered a new onshore reservoir pursuant to Section 102 of the NCPA.

✓
CASE 6948: Application of Maralo, Inc. for dual completions and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) and simultaneous dedication in the Jalmat Pool of four wells in its Jalmat Yates Unit to produce oil from, and later on to inject water into, its Yates formation waterflood, and to produce oil from the Seven Rivers formation from two of the wells, the Nos. 19 and 20 located in Units C and D and to produce gas from the Seven Rivers from the other two wells, the Nos. 25 and 31 located in Units F and K, all in Section 18, Township 25 South, Range 37 East.

Dismiss
CASE 6949: Application of Grace Petroleum Corporation for four compulsory poolings, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Escrito-Gallup Pool underlying four 80-acre proration units, being the E/2 NE/4, the S/2 NW/4, and the W/2 NW/4 of Section 28, and the W/2 SE/4 of Section 29, all in Township 24 North, Range 7 West, each 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 wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells, and a charge for risk involved in drilling said wells.

Cont 7-9
CASE 6950: Application of Bass Enterprises Production Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Morrow test well to be drilled 660 feet from the North line and 1980 feet from the East line of Section 4, Township 25 South, Range 31 East, the E/2 of said Section 4 to be dedicated to the well.

Dismiss
CASE 6951: Application of Bass Enterprises Production Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the E/2 of Section 21, Township 22 South, Range 30 East, 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, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

✓
CASE 6952: Application of Exxon Corporation for a non-standard gas proration unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 378.11-acre non-standard gas proration unit comprising Lots 1 and 2 and the N/2 NE/4 of Section 31, and Lots 1, 2, 3, 4, and the N/2 N/2 of Section 32, all in Township 26 South, Range 26 East, Morrow formation, to be dedicated to its Milepost Federal Com 2 Well No. 1 located in Unit A of said Section 31.

CASE 6925: (Readvertised)

Don
✓
Application of Caribou Four Corners, Inc. for two exceptions to Rule 306, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 306 of the Division Rules and Regulations to permit the permanent flaring of gas from its Kirtland Wells Nos. 1 and 2, located in Units A and B, respectively, of Section 13, Township 29 North, Range 15 West.

CASE 6914: (Continued from June 4, 1980, Examiner Hearing)

Dismiss ✓

Application of Wilson Oil Company for a non-standard proration unit and unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 320-acre non-standard gas proration unit comprising the S/2 of Section 29, Township 20 South, Range 36 East, North Osado-Morrow Gas Pool, to be dedicated to its State JD Well No. 1 at an unorthodox location 1650 feet from the South line and 1980 feet from the West line of said Section 29.

CASE 6896: (This case will be continued to the July 9, 1980, Examiner Hearing)

Cont'd 7-9 ✓

Application of John E. Schalk for a non-standard gas proration unit and an unorthodox gas well location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard Blanco Mesaverde gas proration unit comprising the NE/4 of Section 8, Township 25 North, Range 3 West, to be dedicated to his Gulf Well No. 2 to be drilled at an unorthodox location 1925 feet from the North line and 790 feet from the East line of said Section 8.

CASE 6487: (Continued from April 23, 1980, Examiner Hearing)

Dismiss ✓

Application of El Paso Natural Gas Company for approval of infill drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a waiver of existing well-spacing requirements and a finding that the drilling of its Shell E State Coia Well No. 2 located in Unit N of Section 6, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well.

CASE 6944: Application of Benson-Montin-Greer Drilling Corporation for a pressure maintenance project, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a pressure maintenance project by the injection of gas, air, LPG, water, or chemicals into the Mancos formation thru 7 wells on its East Puerto Chiquito-Mancos Unit Area.

CASE 6945: Application of ARCO Oil and Gas Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Yates-Seven Rivers formation in the interval from 3550 feet to 4000 feet in its Fletcher Well No. 4 in Unit J of Section 27, Township 20 South, Range 34 East, Lynch Field.

CASE 6946: Application of Knox Industries, Inc. for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be recompleted in the Morrow formation at a point 1980 feet from the North line and 660 feet from the East line of Section 1, Township 19 South, Range 34 East, the N/2 of said Section 1 to be dedicated to the well.

CASE 6947: Application of Knox Industries, Inc. for pool contraction and creation and an NGPA determination, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order deleting certain lands from the La Rica-Morrow Gas Pool and creating a new gas pool from said lands together with a determination that applicant's NM State Well No. 1 located in Unit F of Section 2, Township 19 South, Range 34 East, has discovered a new onshore reservoir pursuant to Section 102 of the NGPA.

CASE 6948: Application of Maralo, Inc. for dual completions and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) and simultaneous dedication in the Jalmat Pool of four wells in its Jalmat Yates Unit to produce oil from, and later on to inject water into, its Yates formation waterflood, and to produce oil from the Seven Rivers formation from two of the wells, the Nos. 19 and 20 located in Units C and D and to produce gas from the Seven Rivers from the other two wells, the Nos. 25 and 31 located in Units F and K, all in Section 18, Township 25 South, Range 37 East.

CASE 6949: Application of Grace Petroleum Corporation for four compulsory poolings, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Escrito-Gallup Pool underlying four 80-acre proration units, being the E/2 NE/4, the S/2 NW/4, and the W/2 NW/4 of Section 28, and the W/2 SE/4 of Section 29, all in Township 24 North, Range 7 West, each 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 wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells, and a charge for risk involved in drilling said wells.

CASE 6950: Application of Bass Enterprises Production Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Morrow test well to be drilled 660 feet from the North line and 1980 feet from the East line of Section 4, Township 25 South, Range 31 East, the E/2 of said Section 4 to be dedicated to the well.

CASE 6951: Application of Bass Enterprises Production Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the E/2 of Section 21, Township 22 South, Range 30 East, 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, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 6952: Application of Exxon Corporation for a non-standard gas proration unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 378.11-acre non-standard gas proration unit comprising Lots 1 and 2 and the N/2 NE/4 of Section 31, and Lots 1, 2, 3, 4, and the W/2 N/2 of Section 32, all in Township 26 South, Range 26 East, Morrow formation, to be dedicated to its Milepost Federal Com 2 Well No. 1 located in Unit A of said Section 31.

CASE 6925: (Readvertised)

Application of Caribou Four Corners, Inc. for two exceptions to Rule 306, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 306 of the Division Rules and Regulations to permit the permanent flaring of gas from its Kirtland Wells Nos. 1 and 2, located in Units A and B, respectively, of Section 13, Township 29 North, Range 15 West.

- CASE 6944:** Application of Benson-Montin-Greer Drilling Corporation for a pressure maintenance project, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a pressure maintenance project by the injection of gas, air, LPG, water, or chemicals into the Mancos formation thru 7 wells on its East Puerto Chiquito-Mancos Unit Area.
- CASE 6945:** Application of ARCO Oil and Gas Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Yates-Seven Rivers formation in the interval from 3550 feet to 4000 feet in its Fletcher Well No. 4 in Unit J of Section 27, Township 20 South, Range 34 East, Lynch Field.
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- CASE 6947:** Application of Knox Industries, Inc. for pool contraction and creation and an NGPA determination, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order deleting certain lands from the La Rica-Morrow Gas Pool and creating a new gas pool from said lands together with a determination that applicant's NM State Well No. 1 located in Unit F of Section 2, Township 19 South, Range 34 East, has discovered a new onshore reservoir pursuant to Section 102 of the NGPA.
- CASE 6948:** Application of Maralo, Inc. for dual completions and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) and simultaneous dedication in the Jalmat Pool of four wells in its Jalmat Yates Unit to produce oil from, and later on to inject water into, its Yates formation waterflood, and to produce oil from the Seven Rivers formation from two of the wells, the Nos. 19 and 20 located in Units C and D and to produce gas from the Seven Rivers from the other two wells, the Nos. 25 and 31 located in Units F and K, all in Section 18, Township 25 South, Range 37 East.
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- CASE 6950:** Application of Bass Enterprises Production Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Morrow test well to be drilled 660 feet from the North line and 1980 feet from the East line of Section 4, Township 25 South, Range 31 East, the E/2 of said Section 4 to be dedicated to the well.
- CASE 6951:** Application of Bass Enterprises Production Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the E/2 of Section 21, Township 22 South, Range 30 East, 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, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
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- CASE 6925:** (Readvertised)
- Application of Caribou Four Corners, Inc. for two exceptions to Rule 306, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 306 of the Division Rules and Regulations to permit the permanent flaring of gas from its Kirtland Wells Nos. 1 and 2, located in Units A and B, respectively, of Section 13, Township 29 North, Range 15 West.

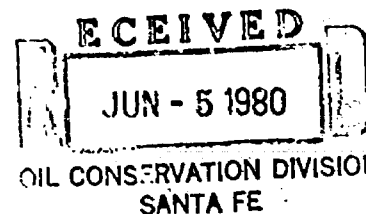
Jason Kellahin
W. Thomas Kellahin
Karen Aubrey

KELLAHIN and KELLAHIN
Attorneys at Law
500 Don Gaspar Avenue
Post Office Box 1769
Santa Fe, New Mexico 87501

Telephone 982-4285
Area Code 505

June 5, 1980

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



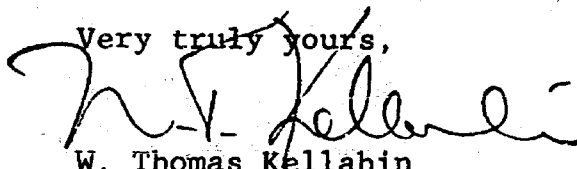
re: Knox Industries, Inc.

Dear Joe:

Case 6947

Enclosed please find two separate Applications for hearings. I would appreciate you setting the Section 102 case before the unorthodox location case.

We would appreciate being scheduled on the June 25, 1980 docket.

Very truly yours,

W. Thomas Kellahin

encl.
cc: Leland Franz
WTK: nb

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION

Case 6947

IN THE MATTER OF THE APPLICATION
OF KNOX INDUSTRIES, INC. FOR
POOL CREATION, SECTION 102
NEW ONSHORE RESERVOIR DETERMINATION,
UNORTHODOX WELL LOCATION, DELETION OF
ACREAGE FROM THE LA RICA (MORROW)
FIELD, LEA COUNTY NEW MEXICO.



APPLICATION

COMES NOW KNOX INDUSTRIES, INC, by and through its attorneys, KELLAHIN & KELLAHIN and applies to the Oil Conservation Division of New Mexico for the creation of a New Morrow Pool, for Section 102 New onshore reservoir determination for the applicants New Mexico State No. 1 well located in Unit F, Section 2, T19S, R34E, Lea County New Mexico, the application of Statewide Rules to the Subject pool including 320 acre spacing; for approval of the subject location, 1784 feet from the North line and 1650 feet from the West line of Section 2, as an unorthodox well location, and for the deletion of Section 2 and 3, T19S, R34E and Section 35 T18S, R34E from the La Rica (Morrow) Field and the inclusion said acreage along with the N/2 of Section 1, T19S, R34E, NMPM into the subject new pool and in support thereof would show:

1. Applicant and Coquina Oil Company are the operators in the subject area and Coquina Oil Company consent to the matters herein.
2. Applicant has drilled its New Mexico State No. 1 well located in Unit F, Section 2, T19S, R34E, Lea County New Mexico, said well being completed on April 25, 1980 in the Morrow formation through perforations between 13,571 feet and 13,585 feet.

3. Applicant proposes to dedicate the N/2 of Section 2 to the subject well, and requests approval of an unorthodox well location 1784 feet from the North line and 1650 feet from the West line of said Section 2.

4. That the subject well constitutes a new onshore reservoir and requests applicable Section 102 NGPA findings:

5. That this new pool can reasonably be assumed to include the following acreage:

T19S, R34E, NMPM
Section: 1: N/2
Section: 2: all
Section: 3: all

T18S, R34E, NMFM
Section 34: S/2

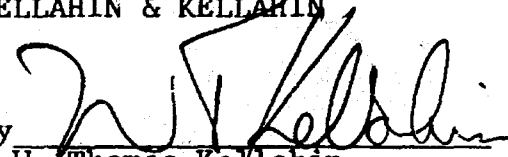
6. Applicant seeks the creation of a new Morrow pool consisting of the acreage described in paragraph 5 above and the deletion of said acreage from the La Rica (Morrow) field.

7. Applicant further seeks the promulgation Pool Rules for the subject pool based upon statewide rules including 320 acre spacing.

8. The Application is in the best interests of conservation the prevention of waste and the protection of correlative rights.

WHEREFORE Applicant requests that this matter be set forth hearing before the Division's Examiner and that after notice and hearing the application be granted as requested.

KELLAHIN & KELLAHIN

By 
W. Thomas Kellahin
P.O. Box 1769
Santa Fe, New Mexico
Phone: (505) 982-4285
ATTORNEY FOR APPLICANT

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION
OF KNOX INDUSTRIES, INC. FOR
POOL CREATION, SECTION 102
NEW ONSHORE RESERVOIR DETERMINATION,
UNORTHODOX WELL LOCATION, DELETION OF
ACREAGE FROM THE LA RICA (MORROW)
FIELD, LEA COUNTY NEW MEXICO.

Case 6947

APPLICATION

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1. Applicant and Coquina Oil Company are the operators in the subject area and Coquina Oil Company consent to the matters herein.
2. Applicant has drilled its New Mexico State No. 1 well located in Unit F, Section 2, T19S, R34E, Lea County New Mexico, said well being completed on April 25, 1980 in the Morrow formation through perforations between 13,571 feet and 13,585 feet.

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T19S, R34E, NMPM
Section: 1: N/2
Section: 2: all
Section: 3: all

T18S, R34E, NMPM
Section 34: S/2

6. Applicant seeks the creation of a new Morrow pool consisting of the acreage described in paragraph 5 above and the deletion of said acreage from the La Rica (Morrow) field.

7. Applicant further seeks the promulgation Pool Rules for the subject pool based upon statewide rules including 320 acre spacing.

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NEW ONSHORE RESERVOIR DETERMINATION,
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Case 6947

APPLICATION

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2. Applicant has drilled its New Mexico State No. 1 well located in Unit F, Section 2, T19S, R34E, Lea County New Mexico, said well being completed on April 25, 1980 in the Morrow formation through perforations between 13,571 feet and 13,585 feet.

3. Applicant proposes to dedicate the N/2 of Section 2 to the subject well, and requests approval of an unorthodox well location 1784 feet from the North line and 1650 feet from the West line of said Section 2.

4. That the subject well constitutes a new onshore reservoir and requests applicable Section 102 NGPA findings:

5. That this new pool can reasonably be assumed to include the following acreage:

T19S, R34E, NMPM
Section: 1: N/2
Section: 2: all
Section: 3: all

T18S, R34E, NMPM
Section 34: S/2

6. Applicant seeks the creation of a new Morrow pool consisting of the acreage described in paragraph 5 above and the deletion of said acreage from the La Rica (Morrow) field.

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STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION
OF KNOX INDUSTRIES, INC. FOR
POOL CREATION, SECTION 102
NEW ONSHORE RESERVOIR DETERMINATION,
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Case 6947

APPLICATION

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1. Applicant and Coquina Oil Company are the operators in the subject area and Coquina Oil Company consent to the matters herein.
2. Applicant has drilled its New Mexico State No. 1 well located in Unit F, Section 2, T19S, R34E, Lea County New Mexico, said well being completed on April 25, 1980 in the Morrow formation through perforations between 13,571 feet and 13,585 feet.

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4. That the subject well constitutes a new onshore reservoir and requests applicable Section 102 NGPA findings:

5. That this new pool can reasonably be assumed to include the following acreage:

T19S, R34E, NMPM
Section: 1: N/2
Section: 2: all
Section: 3: all

T18S, R34E, NMPM
Section 34: S/2

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WHEREFORE Applicant requests that this matter be set forth hearing before the Division's Examiner and that after notice and hearing the application be granted as requested.

KELLAHIN & KELLAHIN

By _____
W. Thomas Kellahin
P.O. Box 1769
Santa Fe, New Mexico
Phone: (505) 982-4285
ATTORNEY FOR APPLICANT

ROUGH

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. 6947

Order No. R-6416

APPLICATION OF KNOX INDUSTRIES, INC.
FOR POOL CONTRACTION AND CREATION AND
AN NGPA DETERMINATION, LEA COUNTY,
NEW MEXICO.

NOMENCLATURE

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on June 25
19 80, at Santa Fe, New Mexico, before Examiner Richard L. Stamets

NOW, on this _____ day of July, 19 80, 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, Knox Industries, Inc., seeks
a determination by the Division, in accordance with Sections
2 (6) and 102 of the Natural Gas Policy Act of 1978, and the
applicable rules of the Federal Energy Regulatory Commission,

-2-
Case No. 6947
Order No. R-

that its New Mexico State Well No. 1, located in Unit F of Section 2, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico, has discovered a new onshore reservoir from which natural gas was not produced in commercial quantities before April 20, 1977.

(3) That said well was completed in the Morrow formation on April 25, 1980, through perforations from 13,571 feet to 13,585 feet.

(4) That although there are several wells in the general vicinity of the subject well which have penetrated or are completed in the Morrow formation, pressures and productive capacity encountered in said New Mexico State Well No. 1 as compared to said wells are completely distinctive and are indicative of an undrained reservoir.

(5) That the combined geological and engineering data presented establishes that said New Mexico State Well No. 1 has been completed in a new onshore reservoir as defined by the provisions of Section 102 of the Natural Gas Policy Act of 1978 and the applicable rules of the Federal Energy Regulatory Commission.

(6) That said New Mexico State Well No. 1 is completed within one mile of the La Rica-Morrow Gas Pool as previously defined and described in Lea County, New Mexico, and is subject to the Special Rules and Regulations for said pool including the requirement for 640-acre spacing and proration units.

(7) That the evidence presented in this case demonstrated that said New Mexico State Well No. 1 has discovered a new common source of supply in the Morrow formation separate from the La Rica Morrow Gas Pool.

(8) That the evidence presented in this case demonstrated that said New Mexico State Well No. 1 is not expected to drain 640 acres.

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(~~8~~) That the evidence presented in this case further demonstrates that the La Rica-Morrow Gas Pool well located in Section 3, Township 19 South, Range 34 East is incapable of draining 640 acres and that said section should be deleted therefrom.

¹⁰
(~~9~~) That the La Rica-Morrow Gas Pool in Lea County, New Mexico, as previously defined and described should be contracted by the deletion of said Section 3.

¹¹
(~~10~~) That a new gas pool for Morrow production consisting of Sections 2 and 3, Township 19 South, Range 34 East, Lea County, New Mexico, should be created and designated the East La Rica-Morrow Gas Pool.

IT IS THEREFORE ORDERED:

(1) That the Knox Industries, Inc. New Mexico State Well No. 1, located in Unit F of Section 2, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico, is completed in a new onshore reservoir as defined by Sections 2 (6) and 102 of the Natural Gas Policy Act of 1978, and the applicable rules of the Federal Energy Regulatory Commission.

IT IS FURTHER ORDERED:

(1) That the La Rica-Morrow Gas Pool in Lea County, New Mexico, as previously defined and described, is hereby contracted by the deletion therefrom of Section 3, Township 19 South, Range 34 East, NMPM.

(2) That a new gas pool for Morrow production consisting of Sections 2 and 3, Township 19 South, Range 34 East, Lea County, New Mexico, is hereby created and designated the East La Rica-Morrow Gas Pool.

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(3) That the effective date of this order and of the pool contraction and creation contained herein shall be August 1, 1980.

(4) 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.