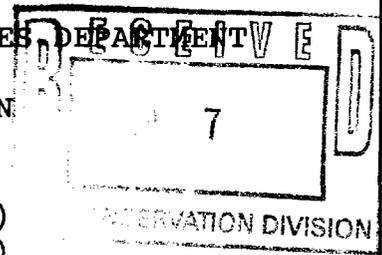


STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



IN THE MATTER OF THE HEARING CALLED BY)
 THE OIL CONSERVATION DIVISION FOR THE)
 PURPOSE OF CONSIDERING:)
)
 APPLICATION OF MEWBOURNE OIL COMPANY FOR)
 AN UNORTHODOX GAS WELL LOCATION, EDDY)
 COUNTY, NEW MEXICO)

CASE NO. 11,548

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

June 13th, 1996

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, June 13th, 1996, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

June 13th, 1996
 Examiner Hearing
 CASE NO. 11,548

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* * *

A P P E A R A N C E S

FOR THE DIVISION:

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 By: JAMES G. BRUCE

* * *

1 WHEREUPON, the following proceedings were had at
2 9:04 a.m.:

3 EXAMINER STOGNER: Again, veering from the order
4 of the docket, I'm going to call Case Number 11,548.

5 MR. CARROLL: Application of Mewbourne Oil
6 Company for an unorthodox gas well location, Eddy County,
7 New Mexico.

8 EXAMINER STOGNER: Call for appearances.

9 MR. BRUCE: Mr. Examiner, Jim Bruce from the
10 Hinkle law firm in Santa Fe, representing the Applicant.

11 I have two witnesses to be sworn.

12 EXAMINER STOGNER: Any other appearances?

13 Will the witnesses please stand to be sworn at
14 this time?

15 (Thereupon, the witnesses were sworn.)

16 D. PAUL HADEN,
17 the witness herein, after having been first duly sworn upon
18 his oath, was examined and testified as follows:

19 DIRECT EXAMINATION

20 BY MR. BRUCE:

21 Q. Would you please state your name for the record?

22 A. My name is Paul Haden.

23 Q. And who do you work for and in what capacity?

24 A. Mewbourne Oil Company as a landman.

25 Q. Have you previously testified before the Division

1 as a petroleum landman?

2 A. Yes, I have.

3 Q. And were your credentials as an expert landman
4 accepted as a matter of record?

5 A. Yes, they were.

6 Q. And are you familiar with the land matters
7 involved in this Application?

8 A. Yes, I am.

9 MR. BRUCE: Mr. Examiner, I'd tender Mr. Haden as
10 an expert petroleum landman.

11 EXAMINER STOGNER: Mr. Haden is so qualified.

12 Q. (By Mr. Bruce) Mr. Haden, briefly what does
13 Mewbourne seek in this case?

14 A. Okay, Mewbourne Oil Company seeks an order
15 authorizing it to drill its State "B" Com Well Number 4 to
16 test the Morrow formation at an unorthodox location 1650
17 feet from the north line and 660 feet from the west line,
18 which is in Unit E of Section 33 of Township 19 South,
19 Range 25 East, in Eddy County.

20 Q. Would you please refer to your Exhibit 1 and
21 describe its contents for the Examiner?

22 A. Exhibit 1 is a land plat. It indicates the
23 proposed spacing unit as shaded in yellow. It also
24 indicates the location of our proposed well, which is a red
25 dot.

1 Q. Okay. What is Exhibit 2?

2 A. Exhibit 2 is also a plat which indicates the
3 offset ownership as to our proposed unorthodox location.

4 Section 29, which is northwest of our Section 33,
5 that proration unit is operated by Yates Petroleum
6 Corporation.

7 Section 32, the north half of that section,
8 Conoco, Inc., operates that. Also in Section 32, in the
9 south half, apparently Nearburg Exploration Company owns
10 that leasehold.

11 Also in Section 28, which is to the north of
12 Mewbourne Oil Company Section 33, Yates Petroleum
13 Corporation operates the south half of that section.

14 Okay, let's go to the south half of Section 33
15 and the southwest quarter, more particularly in the
16 northeast of the southwest quarter, that federal lease is
17 currently owned by Doug Schutz. Apparently that lease is
18 owned by Nearburg Exploration Company, however, although
19 the leases have not been assigned to Nearburg yet.

20 Also, the same situation exists as to the west
21 half of the southwest quarter and the southeast of the
22 southwest quarter. Of record, Perry and Perry apparently
23 own that lease, which they acquired that lease for Nearburg
24 also.

25 Okay, in the southeast quarter, that leasehold is

1 owned by J.M. Huber Corporation.

2 Q. Okay. Were all of these offsets notified of this
3 hearing?

4 A. Yes, they were.

5 Q. And is Exhibit 3 the affidavit of notice with the
6 notice letter and the certified return receipts?

7 A. Yes, that is.

8 Q. Okay. Have any of these parties waived objection
9 to the well location?

10 A. Yes, they have.

11 Q. And is that reflected on Exhibit 4?

12 A. Exhibit 4, that's correct.

13 Q. And who are the parties who've waived objection?

14 A. The parties who have waived objection are Conoco,
15 Inc.; Nearburg Producing Company; J.M. Huber Corporation;
16 and Yates Petroleum Corporation, which is essentially all
17 of the surrounding leasehold owners.

18 Q. Because of the lack of objection, does Mewbourne
19 request that no penalty be imposed on production from the
20 Morrow formation?

21 A. We so request.

22 Q. Were Exhibits 1 through 4 prepared by you or
23 compiled from company business records?

24 A. Yes, they were.

25 Q. And in your opinion, is the granting of this

1 Application in the interests of conservation and the
2 prevention of waste?

3 A. Yes, it is.

4 MR. BRUCE: Mr. Examiner, I would move the
5 admission of Mewbourne Exhibits 1 through 4 at this time.

6 EXAMINER STOGNER: Exhibits 1 through 4 will be
7 admitted into evidence.

8 MR. BRUCE: I have no further questions.

9 EXAMINATION

10 BY EXAMINER STOGNER:

11 Q. Mr. Haden, in Sections 29 and 32, where offsets
12 were notified and you show that they've been waived, and
13 they're listed on Exhibit Number 2, do they actually have
14 operations? Do they have producing wells on their
15 proration units?

16 A. Okay, on the south half of Section 29, yes, Yates
17 Petroleum Corporation is our operator, and they do have
18 producing wells.

19 The production is illustrated in Exhibit 1,
20 actually. It shows various Cisco/Canyon wells, apparently,
21 in Section 29, south half. Also in Section 32 it indicates
22 Conoco has some production in the Cisco. Also in the south
23 half of Section 28, although it has -- indicates on the
24 land plat the name of Burgundy Oil and Gas and Nearburg,
25 those wells are operated by Yates Petroleum Corporation.

1 There is no production in the south half of
2 Section 33, and there is no production in the south half of
3 Section 32.

4 Q. Okay. Is there any Morrow production either in
5 29 or 32?

6 A. There is no current Morrow production in 39 [sic]
7 or 29 or -- I'm not sure about 28. I believe that still is
8 a Morrow well, the location in the southeast-southwest
9 quarter, our geologist will go into more particulars as to
10 that.

11 The Conoco well in the northeast of the northeast
12 quarter was drilled to the Morrow, but it's plugged back
13 and it's now producing in the Cisco, apparently.

14 EXAMINER STOGNER: Okay, I have no other
15 questions at this time for Mr. Haden. He may be excused.

16 MR. BRUCE: Call Mr. Moore to the stand.

17 MR. MOORE: Good morning.

18 RALPH P. MOORE, JR.,
19 the witness herein, after having been first duly sworn upon
20 his oath, was examined and testified as follows:

21 DIRECT EXAMINATION

22 BY MR. BRUCE:

23 Q. Would you please state your name for the record?

24 A. My name is Ralph P. Moore, Jr.

25 Q. Who do you work for and in what capacity?

1 A. I'm Exploration Manager for Mewbourne Oil
2 Company.

3 Q. Have you previously testified before the
4 Division?

5 A. Yes, I have.

6 Q. As a petroleum engineer?

7 A. As a petroleum geologist.

8 Q. Or, excuse me, petroleum geologist.

9 And were your credentials as a petroleum
10 geologist accepted as a matter of record by the Division?

11 A. They were.

12 Q. And are you familiar with the geological matters
13 applying to this Application?

14 A. I am.

15 MR. BRUCE: Mr. Examiner, I tender Mr. Moore as
16 an expert petroleum geologist.

17 EXAMINER STOGNER: Mr. Moore is so qualified.

18 Q. (By Mr. Bruce) First thing, Mr. Moore, what is
19 the test zone of this well?

20 A. This is a Morrow gas test, in the Cemetery Gas
21 Pool.

22 Q. Okay. Would you please refer to Exhibit 5 and
23 describe the Morrow production in the area of your proposed
24 well?

25 A. Exhibit 5 is a production study that reflects the

1 cumulative production for the wells as of September, 1995.
2 Our proposed location is so noted. The standard location,
3 nearest standard location in Section 33, is likewise noted.
4 The scale for this map is one inch equals 2000 feet. All
5 the Morrow penetrations have been circled.

6 A typical Morrow well in this area is going to
7 produce from two or three different sands. They're so
8 noted on this map, the blue sand, the green sand and the
9 orange sand. We are likely to encounter primarily the
10 orange sand on this map.

11 The Cisco dolomite is the most significant
12 secondary objective in this area.

13 Q. And these blue, green and orange, those are
14 Mewbourne internal designations of the Morrow?

15 A. That's correct.

16 Q. Okay, let's move on to your Exhibit 6, and
17 identify that for the Examiner.

18 A. Exhibit 6 is a structure map on the base of the
19 lower Morrow shale. The contour interval is 50 feet. It
20 covers the same area. Our proposed location is noted, as
21 well as the nearest standard location in Section 33. It
22 shows a gentle northwest-to-southeast regional dip.

23 Q. Okay, let's move on to your Exhibits -- maybe 7
24 and 8 together, if you would just describe them, identify
25 them for the Examiner and describe their content.

1 A. Exhibit Number 7 reflects the gross sand isopach
2 of the lower Morrow orange sand. I'll show a cross-section
3 in a minute to make this a little more clear. This is the
4 primary objective of this test.

5 The Exhibit 8 reflects the net sand for the area.
6 If we take a well, for instance, the well in 28 N, 14 over
7 22, the 22 would be the value for the gross sand, and the
8 14 would be the value for the net sand, and they're
9 reflected and colored yellow on their respective maps.

10 The contour interval is 10 feet, and what we have
11 in this area is a northwest-to-southeast-trending sand pod
12 where the wells in Section 32, 28, 34 and Section 3 kind of
13 define the geometry of the sand pods. The net sand is very
14 similar to the gross sand in the more productive wells, but
15 there is some variance, obviously. And what I'm trying to
16 show on these maps is that the standard location is
17 actually in the thickest part of those sands.

18 So why do we want to drill where we're proposing?

19 One is that the well in 28 N is approximately a
20 2-BCF well, it's produced approximately 2 BCF, and we're
21 very concerned about its drainage area. It produces from
22 multiple sands. However, we've -- The area of drainage
23 that is represented on Exhibit 8 reflects only the reserves
24 associated with the orange sand.

25 In addition to that, the well in 33 B is a well

1 that we drilled a number of years ago, Mewbourne Oil
2 Company. It has well developed sand, but has been a poor
3 producer.

4 So the standard location is a little too close to
5 those wells, one with poor-reservoir-quality rock in 33,
6 and the well in 28 with drainage areas. So by moving the
7 location to where we've positioned it, we move away from
8 those two problems.

9 In addition to that, the secondary objective in
10 here would be the Cisco/Canyon dolomite, and this proposed
11 location will afford us a better opportunity associated
12 with that reservoir.

13 Q. And as to the Cisco/Canyon, this well location is
14 orthodox; is that correct?

15 A. That's correct.

16 Q. Let's move on to your Exhibit 9 and discuss that
17 for the Examiner.

18 A. Exhibit 9 is a cross-section. It runs from west
19 to east. The well located in 32 A is the Conoco Savannah
20 well. It did test the lower Morrow orange zone. The scale
21 on this map is 2 1/2 inches to 100 feet vertically, and one
22 inch equals 1000 feet horizontally.

23 The exhibit is stratigraphically hung on the
24 lower Morrow shale, and the middle Morrow blue sand is so
25 noted, the middle Morrow green sand is so noted, and the

1 lower Morrow orange sand is so noted, and that's an
2 internal classification that we use.

3 Our biggest concern in this area is the drainage
4 associated with the well in 28 N. It's from multiple
5 zones.

6 We've gone through the internal reservoir
7 engineering and allocated certain reserves to the orange
8 zone, and that is reflected in the area of drainage that we
9 have on Exhibit 8.

10 Q. So in your opinion, the proposed location would
11 afford the best opportunity to encounter Morrow production,
12 Morrow, and drain -- adequately drain the Morrow reserves
13 in the north half of Section 33?

14 A. That's correct.

15 Q. Were Exhibits 5 through 9 prepared by you or
16 under your direction?

17 A. They were.

18 Q. An in your opinion, is the granting of this
19 Application in the interests of conservation and the
20 prevention of waste?

21 A. It is.

22 MR. BRUCE: Mr. Examiner, I move the admission of
23 Exhibits 5 through 9.

24 EXAMINER STOGNER: Exhibits 5 through 9 will be
25 admitted into evidence.

EXAMINATION

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BY EXAMINER STOGNER:

Q. Mr. Moore, what is the Strawn production, or that upper Pennsylvanian? What pool is that in?

A. The upper Pennsylvanian?

Q. Yes, sir.

A. I believe it's North Dagger Draw.

Q. Now, you mentioned that this well would be a standard location for the North Dagger Draw?

A. Yes.

Q. Are there any other penetrations in the north half of this section that go to the North Dagger Draw or are producing from the North Dagger Draw?

A. In the north half of this section, yes. The well in 33 B is a producer in that zone, and the well in 33 D is a producer in that zone.

Q. And what's the status of the Morrow production in the well in the northeast quarter of Section 33?

A. That has been plugged back. We tested -- I believe it's noted on the cross-section. The orange zone was perforated and flowed 500 MCF of gas per day and load water, and eventually was not capable of flowing.

Q. So that well is now producing from the Dagger Draw?

A. That well is now producing from Dagger Draw.

1 Q. Now, on Exhibit Number 8 you indicated, I'm
2 assuming, by the -- well, you indicate the drainage area --

3 A. That's correct.

4 Q. -- for that present well.

5 Could you elaborate, perhaps, what the drainage
6 was from the old abandoned well in the northeast corner of
7 33? How does that affect the location?

8 A. We were never able to produce that well
9 commercially from the Morrow section at location 33 B. It
10 never had any Morrow production, to the best of my
11 knowledge.

12 Q. Okay.

13 A. It was plugged back uphole.

14 EXAMINER STOGNER: Any other questions of this
15 witness?

16 MR. BRUCE: No, sir.

17 EXAMINER STOGNER: You may be excused.

18 Does anybody else have anything further in Case
19 11,548?

20 If not, this case will be taken under advisement.
21 And let's take a 10-minute recess.

22 (Thereupon, these proceedings were concluded at
23 9:23 a.m.)

24 * * *

25

CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL June 16th, 1996.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1998

I do hereby certify that the foregoing is a complete record of the proceedings in the summary hearing of Case No. 11578, reported by me on 13 June 1996.


Examiner
Oil Conservation Division