

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date

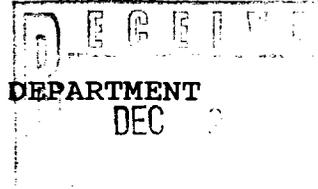
DECEMBER 5, 1996

Time: 8:15 A.M.

| NAME | REPRESENTING | LOCATION |
|--------------------|------------------------|--------------------|
| Ralph Moore | MEMBERSHIP OIL | MIDLAND Midland |
| Steve Cobb | " | ARTESIA |
| Dave Broulau | YATES PETROLEUM | Artesia |
| Robert Bullock | Yates Pet | Artesia |
| Dennis [illegible] | [illegible] | Artesia |
| Tom Miller | Yates Pet | Artesia |
| Bill [illegible] | [illegible] | Artesia |
| [illegible] | Vandiver + [illegible] | Artesia |
| Neil Kendrick | [illegible] | Artesia |
| Jim [illegible] | [illegible] | JB |

ILLEGIBLE

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)
COMPULSORY POOLING, A NON-STANDARD)
SPACING UNIT AND AN UNORTHODOX WELL)
LOCATION, LEA COUNTY, NEW MEXICO)

CASE NO. 11,648

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

December 5th, 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, December 5th, 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

December 5th, 1996
 Examiner Hearing
 CASE NO. 11,648

| | PAGE |
|--|------|
| APPEARANCES | 3 |
| APPLICANT'S WITNESSES: | |
| <u>STEVE COBB</u> (Landman) | |
| Direct Examination by Mr. Carr | 5 |
| Examination by Examiner Stogner | 10 |
| <u>RALPH P. MOORE, JR.</u> (Geologist) | |
| Direct Examination by Mr. Carr | 12 |
| Examination by Examiner Stogner | 18 |
| REPORTER'S CERTIFICATE | 21 |

* * *

E X H I B I T S

| Applicant's | Identified | Admitted |
|-------------|------------|----------|
| Exhibit 1 | 7 | 9 |
| Exhibit 2 | 8 | 9 |
| Exhibit 3 | 9 | 9 |
| Exhibit 4 | 14 | 18 |
| Exhibit 5 | 16 | 18 |

* * *

A P P E A R A N C E S

FOR THE DIVISION:

RAND L. CARROLL
Attorney at Law
Legal Counsel to the Division
2040 South Pacheco
Santa Fe, New Mexico 87505

FOR THE APPLICANT:

CAMPBELL, CARR, BERGE and SHERIDAN, P.A.
Suite 1 - 110 N. Guadalupe
P.O. Box 2208
Santa Fe, New Mexico 87504-2208
By: WILLIAM F. CARR

FOR CT-R LTD. COMPANY and CHANTREY CORPORATION:

KELLAHIN & KELLAHIN
117 N. Guadalupe
P.O. Box 2265
Santa Fe, New Mexico 87504-2265
By: W. THOMAS KELLAHIN

* * *

1 WHEREUPON, the following proceedings were had at
2 8:20 a.m.:

3 EXAMINER STOGNER: This hearing will come to
4 order. Please note today's date, December the 5th, 1996.
5 I'm Michael Stogner, appointed Hearing Examiner for today's
6 cases.

7 At this time I will call Case Number 11,648.

8 MR. CARROLL: Application of Mewbourne Oil
9 Company for compulsory pooling, a nonstandard spacing unit
10 and an unorthodox well location, Lea County, New Mexico.

11 EXAMINER STOGNER: Call for appearances.

12 MR. CARR: May it please the Examiner, my name is
13 William F. Carr with the Santa Fe law firm Campbell, Carr,
14 Berge and Sheridan.

15 We represent Mewbourne in this matter, and I have
16 two witnesses.

17 EXAMINER STOGNER: Any other appearances?

18 MR. KELLAHIN: Mr. Stogner, my name is Tom
19 Kellahin of the Santa Fe law firm of Kellahin and Kellahin,
20 appearing in this case on behalf of CT-R Ltd. Company and
21 Chantrey Corporation. I have no witnesses.

22 MR. CARR: May it please the Examiner, initially
23 I need to advise that agreement has been reached with all
24 interest owners in the subject spacing and proration unit,
25 and therefore the portion of the case that relates to

1 compulsory pooling can be dismissed.

2 As we will also testify to, we are dealing with a
3 previously approved nonstandard spacing unit in the Eumont.
4 That Eumont spacing unit was approved by NSP-7 back in the
5 1950s.

6 So basically this case and our presentation will
7 focus on the unorthodox well location.

8 EXAMINER STOGNER: Are there any other
9 appearances in this matter?

10 Okay, will both witnesses please stand to be
11 sworn at this time?

12 (Thereupon, the witnesses were sworn.)

13 MR. CARR: At this time I call Mr. Steve Cobb.

14 STEVE COBB,

15 the witness herein, after having been first duly sworn upon
16 his oath, was examined and testified as follows:

17 DIRECT EXAMINATION

18 BY MR. CARR:

19 Q. Will you state your name for the record, please?

20 A. Steve Cobb.

21 Q. Where do you reside?

22 A. Midland, Texas.

23 Q. By whom are you employed?

24 A. Mewbourne Oil Company.

25 Q. And what is your position with Mewbourne?

1 A. District landman.

2 Q. Mr. Cobb, have you previously testified before
3 this Division?

4 A. Yes, I have.

5 Q. And at the time of that testimony, were your
6 credentials as an expert in petroleum land matters accepted
7 and made a matter of record?

8 A. They were.

9 Q. Are you familiar with the Application filed in
10 this case on behalf of Mewbourne Oil Company?

11 A. Yes, I am.

12 Q. Are you familiar with the status of the lands in
13 the subject area?

14 A. Yes, I am.

15 MR. CARR: Mr. Stogner, are the witness's
16 qualifications acceptable?

17 EXAMINER STOGNER: They are.

18 Q. (By Mr. Carr) Mr. Cobb, would you briefly state
19 what Mewbourne seeks with this Application?

20 A. We're seeking approval of an unorthodox location
21 for our Huston Com Number 2 well, to be located 990 feet
22 from the south line and 860 feet from the west line of
23 Section 21, 19 South, 37 East.

24 Q. And what acreage will be dedicated to this well?

25 A. The south half of Section 21.

1 Q. Have you prepared certain exhibits for
2 presentation here today?

3 A. Yes, I have.

4 Q. Let's go to what has been marked for
5 identification as Mewbourne Oil Company Exhibit Number 1.
6 Would you identify that for the Examiner and review the
7 information on this exhibit?

8 A. This exhibit is our land plat that I have
9 prepared, which shows our proposed spacing unit and our
10 proposed unorthodox well location and our current producing
11 well location.

12 It also shows the offset ownership from the
13 Eumont formation in the nine surrounding areas, sections.

14 Q. And could you point out the location of the
15 existing well on this spacing and proration unit?

16 A. Our existing well, the Huston Com Number 1 well,
17 is located in Unit Letter K.

18 Q. And the offsetting spacing units are the spacing
19 units in which there are operators who are affected by the
20 proposed unorthodox location?

21 A. That's correct.

22 Q. And they're highlighted in yellow?

23 A. That's correct.

24 Q. What is the status of the south-half proration
25 unit in Section 21?

1 A. It is currently a -- As I said, we have our
2 Huston Com Number 1 well, which is currently producing
3 there and is an approved spacing unit and has been
4 communitized also.

5 Q. And that was approved by Administrative Order
6 NSP-7?

7 A. That's correct.

8 Q. And that was dated October 1, 1954?

9 A. That's correct.

10 Q. Have the leases in this south-half spacing unit
11 also been communitized?

12 A. Yes, they have.

13 Q. And when did that occur?

14 A. In 1955, February 1st.

15 Q. Can you tell us the current status of the
16 existing well on that south-half unit?

17 A. Our Huston Com Number 1 well is a marginal gas
18 well, produced from the Eumont zone.

19 Q. Now, if you are successful with the proposed
20 well, what are Mewbourne's plans for that existing well?

21 A. We plan to plug and abandon the Number 1 well.

22 Q. So there would be no occasion where you would
23 have multiple wells producing on this --

24 A. That's correct, we would have one well.

25 Q. Is Exhibit Number 2 an affidavit confirming that

1 notice of this hearing has been provided in accordance with
2 OCD rules and regulations?

3 A. Yes, it is.

4 Q. And to whom was notice given?

5 A. I sent notice to every Eumont operator in the
6 nine-section area --

7 Q. -- shown on Exhibit Number 1?

8 A. Right, right.

9 Q. What is Exhibit Number 3?

10 A. Exhibit Number 3 is a waiver letter from OXY,
11 waiving any objection to this hearing today.

12 Q. Will Mewbourne be calling a geological witness to
13 review the technical reasons for the proposed unorthodox
14 location?

15 A. Yes, we will.

16 Q. Were Exhibits 1 through 3 prepared by you or
17 compiled under your direction?

18 A. Yes, they were.

19 MR. CARR: At this time, Mr. Stogner, we would
20 move the admission into evidence of Mewbourne Exhibits 1
21 through 3.

22 EXAMINER STOGNER: Are there any objections?

23 MR. KELLAHIN: (Shakes head)

24 EXAMINER STOGNER: Exhibits 1 through 3 will be
25 admitted into evidence at this time.

1 Mr. Kellahin, do you have any questions?

2 MR. KELLAHIN: No, sir.

3 EXAMINATION

4 BY EXAMINER STOGNER:

5 Q. Mr. Cobb, do you know if there's been any other
6 attributable production or any other wells since NSP-7 has
7 been enacted back in 1954, attributed to this proration
8 unit, other than that Number 1 well?

9 A. No, I do not know that --

10 Q. Okay.

11 A. -- for sure. I don't think there is.

12 Q. Okay. When did Mewbourne pick up this acreage in
13 that Number 1 well?

14 A. I think December 1st of 1994.

15 Q. And who did Mewbourne pick that up from?

16 A. Westbrook Oil Corporation.

17 Q. Westbrook. Do you remember roughly how many
18 hands this thing has -- how many companies this property
19 has gone through since --

20 A. I think -- I think two. I think Westbrook had
21 purchased it -- I'm not sure who he bought it from. We
22 bought it from Westbrook, so probably two.

23 Q. Okay. Well, I was going to ask, since 1954 --

24 A. No.

25 Q. -- Schermerhorn --

1 A. Schermerhorn, right.

2 Q. -- S-c-h-e-r-m-e-r-h-o-r-n, Oil Corporation,
3 initially developed the acreage or -- The well may have
4 gone back even further than that, but as far as the 320-
5 acre proration unit, it was dedicated in 1954?

6 A. Right, that's correct.

7 Q. Okay. And the proposed footage for the Eumont 21
8 State Well Number 1, is that what your proposed well is
9 going to be?

10 A. Right, that's right.

11 Q. And that's going to be 990 from the south, 860
12 from the --

13 A. -- west.

14 Q. West line?

15 A. Right. Well, it would be actually the Number 2
16 well.

17 Q. Okay, that's what I was fixing to ask.

18 A. Yeah, the Number 2 well. We need to amend the
19 name of this well to the Huston Com Number 2 well.

20 Q. How do you spell "Huston"?

21 A. H-u-s-t-o-n.

22 Q. Huston --

23 A. -- Com --

24 Q. -- Com --

25 A. -- Number 2.

1 Q. -- Well Number 2 designation.

2 Is there some fee acreage out there in this pool?

3 A. Yes, there is.

4 Q. And what is the makeup of state versus fee
5 acreage in the 320 acres?

6 A. Dealing with the south half, the northwest-
7 southwest is state, northeast-southwest is fee, the
8 southwest-southwest is state, southeast-southwest is
9 federal, the north half of the southeast is fee, and the
10 southeast of the southeast is fee, and the southwest of the
11 southeast is federal.

12 EXAMINER STOGNER: Okay, I have no other
13 questions of Mr. Cobb at this time.

14 MR. CARR: At this time we call Ralph Moore.

15 RALPH P. MOORE, JR.,

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

18 DIRECT EXAMINATION

19 BY MR. CARR:

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

21 A. Ralph Moore.

22 Q. Where do you reside?

23 A. Midland, Texas.

24 Q. By whom are you employed?

25 A. Mewbourne Oil Company.

1 Q. What is your position with Mewbourne?

2 A. Exploration manager.

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

5 A. I have.

6 Q. And at the time of that testimony, how were you
7 qualified? As an expert in petroleum geology?

8 A. Yes.

9 Q. Are you familiar with the Application filed in
10 this case on behalf of Mewbourne?

11 A. I am.

12 Q. Have you made a geological study of the area
13 surrounding the proposed well?

14 A. I have.

15 Q. And are you prepared to share the results of that
16 study with the Examiner?

17 A. Yes.

18 MR. CARR: Are the witness's qualifications
19 acceptable?

20 EXAMINER STOGNER: Any objections?

21 MR. KELLAHIN: No, sir.

22 EXAMINER STOGNER: Mr. Moore is so qualified.

23 Q. (By Mr. Carr) Initially, has Mewbourne drilled
24 additional Eumont wells in this area?

25 A. Yes, we have.

1 Q. Whereabouts are those? Do you know? Could you
2 point them out?

3 A. If you'll look at my Exhibit Number 4, I
4 believe --

5 Q. Which is your composite exhibit?

6 A. -- which is the composite exhibit, and move to
7 the production map, we drilled the well, the Eumont 17,
8 which is located in 17 N, and we have drilled the State F2
9 in 29 O, and of course we operate the Huston Com Number 1.

10 Q. Okay. Let's go to this composite exhibit, and
11 let's start with the production map on the left-hand side
12 of the Exhibit, and I'd ask you simply to identify and
13 review that for Mr. Stogner.

14 A. Okay, what we did in here was, this is an area
15 around the unit that we're discussing, and the production
16 inform- -- the Eumont wells are circled, and this would be
17 production from the Yates, Queen, Seven Rivers, and
18 Penrose. It's treated as one gross section.

19 If we look at the numbers by the wells, the
20 number in the top left is the date of first production, top
21 right is cumulative production in BCF, bottom left is
22 bottomhole pressure information, if available, and the
23 bottom right would be monthly rate as of March, 1996.

24 I've shown the south-half proration unit in
25 Section 21, and I've shown a cross-section from A to A'

1 that goes -- A' being the well we operate, the Huston Com
2 Number 1, through the proposed location and down to a well
3 in Section 29.

4 I might add that the production information or
5 the year of completion for the well at the left-hand side
6 of the cross-section is not 1970; I found a mistake; it's
7 1954.

8 Q. Anything else on the production map?

9 A. No.

10 Q. All right, let's go ahead and look at the
11 structure map in the center of the Exhibit. Would you
12 explain the significance of this to the Examiner?

13 A. This is a structure map drawn on the top of the
14 Penrose section that will be revealed to you when I show
15 you the cross-section, the exact point. Its contoured
16 interval is 25 feet.

17 It basically just shows west-to-east dip through
18 the production unit that we're talking about in the
19 proposed well, pretty simple map. Once again, the Eumont
20 wells are circled. That's wells producing from the Eumont.
21 The other ones -- this is in the middle of the Grayburg
22 area -- they're deeper wells, and sometimes they have a
23 control point and sometimes they don't.

24 Q. All right. Let's go to the isopach map on the
25 right-hand side of the exhibit. What does this show you?

1 A. What we did in here, or what I did in here was --
2 This is the gross sand section for the Penrose. The
3 contour interval is 25 feet. I highlighted the sand --
4 gross-sand thickness in excess of 100 feet in yellow, and
5 in excess of 125 feet in orange.

6 It basically show north-south trends, these
7 sandbodies. These sandbodies are interpreted to be near-
8 shore marine dunes that have actually blown into a marine
9 environment. That's one interpretation. This is not to be
10 interpreted as a channel system. It's a near-marine sand
11 system.

12 And what I've shown in here is, you can see the
13 cross-section, the proposed location, its relationship to
14 the Huston Com Number 1 well. Our intent in here for
15 seeking an unorthodox location was to move as far away from
16 the current Huston Com Number 1 Well as possible.

17 My first location was 660 from the south and west
18 lines, but there's a well sitting there. And then there's
19 some surface considerations where we couldn't put it any
20 further. But we want to minimize drainage, and this is as
21 far away as we can get it in this particular Unit M.

22 Q. Let's go to your cross-section, Mewbourne Exhibit
23 Number 5. Would you review that?

24 A. This is a simple west -- southwest-to-northeast
25 cross-section, stratigraphically hung on the top of the

1 Penrose sands. I've put the production information or
2 transferred it from the production map onto this particular
3 cross-section next to the respective well. And please note
4 that the well on the left, the Skelly Mexico X Number 1,
5 was actually completed in 1954. That's a drafting error.

6 The gross section of sand in that particular
7 well, in the Texaco well, is 94 feet. This is the main pay
8 section. In the Schermerhorn, which was completed in 1954,
9 we have approximately 114 feet of gross section of sand,
10 and we hope to be between those two wells and encounter
11 sand thickness of about 125 feet or so.

12 In this particular area, in these two wells, I
13 might add that the Huston Com Number 1 is open-hole
14 completed and the Queen section is -- may or may not be
15 contributing gas in this particular case, but the main
16 objective is Penrose sand.

17 Q. Could you just summarize the conclusions you've
18 reached from your study of the area?

19 A. We have concluded -- and I can conclude that we
20 can infill drill these wells successfully. I'll point to
21 the -- up in Section 17, our well in 17 N, the direct
22 offset to a Hendrix well in 17 M. We drilled a new well,
23 Hendrix recompleted, or re-treated, and we have a far
24 superior well.

25 We think there's a lot more gas to be developed

1 and produced down in the south half of 21, but we do want
2 to get away from the Huston Com well as far as possible,
3 and that's how we picked this location.

4 Q. In your opinion, will granting this Application
5 and the drilling of the proposed well be in the best
6 interest of conservation --

7 A. Yes.

8 Q. -- the prevention of waste and the protection of
9 correlative rights?

10 A. Yes.

11 Q. How soon do you plan to actually spud the well?

12 A. As early as the 1st of January.

13 Q. Were Exhibits 4 and 5 prepared by you?

14 A. They were.

15 MR. CARR: At this time, Mr. Stogner, I would
16 move the admission into evidence of Mewbourne Exhibits 4
17 and 5.

18 EXAMINER STOGNER: Any objection?

19 Exhibits 4 and 5 will be admitted into evidence
20 at this time.

21 MR. CARR: That concludes my direct examination
22 of Mr. Moore.

23 EXAMINATION

24 BY MR. STOGNER:

25 Q. Just how far is the proposed location from the

1 Number 1 well? I can do the math; I don't want to, unless
2 you --

3 A. I don't have that off the top of my head.

4 Q. Okay. That well that was in the 660-660
5 location --

6 A. Uh-huh.

7 Q. -- down in the south and east, is that a
8 presently producing -- what? Eunice Monument?

9 A. I believe it's an injection well.

10 Q. That's an injection well?

11 A. 660 from the south and west.

12 Q. Right. That was your original intent, or --

13 A. I would have liked to have gotten as close to
14 that well as possible, as far away from the Huston Com
15 Number 1 as possible.

16 Q. Are there any other plans of putting any other
17 infill wells in this south half at this time?

18 A. No, we think that the gas reserves can be
19 produced from this new wellbore.

20 Q. Have you discussed your plans with any of the
21 offset operators, especially the ones to the west?

22 A. I have not personally.

23 EXAMINER STOGNER: Okay. All right.

24 Mr. Kellahin, do you have any questions of this
25 witness?

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

MR. KELLAHIN: No, sir.

EXAMINER STOGNER: Nobody else has any other questions of this witness?

Mr. Moore, you may be excused.

Mr. Carr, do you have anything further?

MR. CARR: No, sir, Mr. Stogner, that concludes our presentation in this case.

EXAMINER STOGNER: I will take the file of NSP-7 -- administrative notice on that file, incorporate that in the record. Compulsory pooling will be dismissed.

And with that, this matter will be taken under advisement.

Thank you, sir.

(Thereupon, these proceedings were concluded at 8:41 a.m.)

* * *

I do hereby certify that the foregoing is
a true and correct copy of the proceedings in
Case No. 11648,
dated 5 December 1996.
Michael B. Stogner, Examiner
Oil Conservation Division

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 December 6th, 1996.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1998