

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: )

CASE NO. 12,036

APPLICATION OF DEVON ENERGY CORPORATION )  
(NEVADA) FOR AN UNORTHODOX OIL WELL )  
LOCATION, EDDY COUNTY, NEW MEXICO )

**ORIGINAL**

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

September 3rd, 1998

Santa Fe, New Mexico

OIL CONSERVATION DIV.  
98 SEP 17 AM 7:59

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, September 3rd, 1998, 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.

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## I N D E X

September 3rd, 1998  
Examiner Hearing  
CASE NO. 12,036

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## E X H I B I T S

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## 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:

JAMES G. BRUCE, Attorney at Law  
612 Old Santa Fe Trail, Suite B  
Santa Fe, New Mexico 87501  
P.O. Box 1056  
Santa Fe, New Mexico 87504

## ALSO PRESENT:

MARK W. ASHLEY  
NMOC D Petroleum Geologist  
2040 South Pacheco  
Santa Fe, New Mexico 87505

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2   8:21 a.m.:

3           EXAMINER STOGNER: At this time, on page 2, I'll  
4   call 12,036.

5           MR. CARROLL: Application of Devon Energy  
6   Corporation (Nevada) for an unorthodox oil well location,  
7   Eddy County, New Mexico.

8           EXAMINER STOGNER: Call for appearances.

9           MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,  
10   representing the Applicant. I don't have any witnesses; I  
11   do have a brief presentation.

12          EXAMINER STOGNER: Mr. Bruce?

13          MR. BRUCE: Mr. Examiner, Devon seeks approval of  
14   an unorthodox oil well location for its Turner "B" well  
15   Number 115, which is to be located 1050 feet from the north  
16   line and 25 feet from the west line of Section 20, Township  
17   17 South, Range 31 East, in Eddy County. The well will be  
18   drilled to the Grayburg-Jackson Pool.

19          Submitted as Exhibit 1 is a land plat which marks  
20   the proposed well in yellow, in the middle of the plat, and  
21   outlines the Turner "B" lease in green and the offsetting  
22   Turner "A" lease in orange. These are both federal leases,  
23   and Devon is the sole working interest owner of both  
24   leases. The difference is that the Turner "B" lease, the  
25   green lease, has no overriding royalty owners, while the

1 Turner "A" lease, the lease colored in orange, has several  
2 overriding royalty owners.

3 The reason for the location is because the well  
4 is located for the waterflood project Devon is expanding on  
5 these leases and on other leases in the area. Devon  
6 applied for the proposed location administratively, but two  
7 overriding royalty owners on the Turner "A" lease objected.  
8 Their letters are submitted to you as Exhibit 2.

9 As a result of those objections, Devon attempted  
10 to move the well on to the Turner "A" lease. They were  
11 going to move it about 50 feet to the west so it would be  
12 1050 feet from the north line and 25 feet from the east  
13 line of Section 19. They actually permitted that well, and  
14 it was -- got unorthodox-location approval. It was the  
15 Turner "A" Number 61.

16 However, that location is 40 feet from an  
17 electric distribution line, which is too close for  
18 operations.

19 In addition, if the well is moved further west,  
20 then first it would not be ideally located for the  
21 waterflood project and, second, it would be out of the  
22 area, that boxed area, around the Turner "B" Number 115,  
23 which Devon spent about \$45,000 mitigating for  
24 archeological reasons at the request of the Bureau of Land  
25 Management.

1           As a result, Devon seeks to move the location  
2 back onto the Turner "B" lease in order to avoid the  
3 additional expenditure of these wells, which are relatively  
4 small producers, and the spending another \$45,000  
5 mitigating an archaeologic site doesn't seem the right  
6 thing to do.

7           I would note that the overriding royalty owners  
8 of the Turner "A" lease are not being treated unfairly. If  
9 you'll go back to Exhibit A, I've noted 3 wells on the  
10 Turner "A" lease which encroach on the Turner "B" lease or  
11 the offsetting Fren lease to the south. Their footages are  
12 marked on that map.

13           Even though these wells encroach on the  
14 offsetting acreage, the overriding royalty owners do not  
15 share any of the production in those wells with the  
16 offsetting interest owners. So they are, in effect,  
17 protected, even though there's no formal lease-line  
18 agreement, they are protected, their rights are protected  
19 and they are not being treated.

20           And as a result, Devon requests that the location  
21 be approved.

22           And finally, Mr. Examiner, submitted as Exhibit 4  
23 is my affidavit of notice showing that notice was given to  
24 all of the overriding royalty owners, as well as the  
25 federal government.

1 EXAMINER STOGNER: Again, Mr. Bruce, you stated  
2 -- Where's the overriding?

3 MR. BRUCE: The overrides are in the orange  
4 lease, the Turner "A" lease.

5 EXAMINER STOGNER: The Turner "A" lease, okay.  
6 And this well will be on the Turner "B" lease?

7 MR. BRUCE: Yes, sir.

8 EXAMINER STOGNER: Okay. Now, what about the --  
9 Now, is this a producing well or injection well?

10 MR. BRUCE: It will be a producing well.

11 EXAMINER STOGNER: What about the distribution of  
12 production again?

13 MR. BRUCE: At this point, the production would  
14 just be allocated to the Turner "B" lease. The Turner "A"  
15 lease, those interest owners are receiving production from  
16 the Turner "A" 52, 44 and 51 leases, which encroach on the  
17 offsetting leases.

18 EXAMINER STOGNER: What about the 51 down there  
19 in that far southeast corner?

20 MR. BRUCE: Yeah, that's on the "A" lease, the  
21 orange lease. And it's only, you know, eight feet from the  
22 offsetting Fren lease and 75 feet from the Turner "B"  
23 lease.

24 EXAMINER STOGNER: Do you know what those  
25 overrides amount to, what percentage?

1 MR. BRUCE: Yes, give me a second and I can total  
2 them up here. Six percent.

3 EXAMINER STOGNER: Six percent.

4 MR. BRUCE: Actually, there are 7.5-percent  
5 overrides on the Turner "A" lease, but Devon itself owns a  
6 percent and a half, so the other parties own 6 percent.

7 EXAMINER STOGNER: Do you remember, or do you  
8 have a record of administrative orders that approve those  
9 other lease-line producers?

10 MR. BRUCE: Oh --

11 EXAMINER STOGNER: Subsequent to the hearing,  
12 could you --

13 MR. BRUCE: Yes, I can get those for you. I have  
14 those somewhere.

15 EXAMINER STOGNER: All right. Does anybody else  
16 have anything further in Case 12,036 at this time?

17 Then 12,036, for an unorthodox location, will be  
18 taken under advisement at this time.

19 MR. BRUCE: Move the admission of Exhibits 1  
20 through 4.

21 EXAMINER STOGNER: And Exhibits 1 through 4 will  
22 be admitted into evidence at this time.

23 (Thereupon, these proceedings were concluded at  
24 8:25 a.m.)

25 \* \* \* \* \* 3 Sub. 1998



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 ~~September~~ 3rd, 1998.




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STEVEN T. BRENNER  
 CCR No. 7

My commission expires: October 14, 1998