

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
JULY 19, 1961

EXAMINER HEARING

IN THE MATTER OF:

CASE 2340

TRANSCRIPT OF HEARING

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
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EXAMINER HEARING

IN THE MATTER OF: -----

Application of Pan American Petroleum
Corporation for an unorthodox gas well
location, Eddy County, New Mexico.
Applicant, in the above-styled cause
seeks approval of an unorthodox gas well
location in the Red Lake-Pennsylvanian
Gas Pool for its Malco "M" Well No. 1,
located 3510 feet from the North line
and 1650 feet from the East line of
Section 4, Township 18 South, Range 27
East, Eddy County, New Mexico.

Case
2340

BEFORE:

Elvis A. Utz, Examiner.

TRANSCRIPT OF HEARING

MR. UTZ: Case 2340.

MR. MORRIS: Application of Pan American Petroleum
Corporation for an unorthodox gas well location, Eddy County,
New Mexico.

MR. NEWMAN: Kirk Newman of Roswell, New Mexico, repre-
senting the Applicant. We have one witness.

(Witness sworn.)

MR. UTZ: Are there other Appearances in this case?
Are they all the same Exhibit?

MR. NEWMAN: They are.

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W. J. SANDIDGE, JR.,

called as a witness herein, having been first duly sworn on oath,
was examined and testified as follows:

DIRECT EXAMINATION

BY MR. NEWMAN:

Q Will you state your name and employment, please?

A W. J. Sandidge, Jr. I am a Petroleum Engineer, Senior Grade, for Pan American Petroleum Corporation; and I'm stationed in Lubbock, Texas.

Q Have you previously testified before this Commission?

A Yes, I have.

MR. NEWMAN: Are the Witness' qualifications acceptable?

MR. UTZ: Yes, sir; they are.

Q (By Mr. Newman) Now, I refer you to what we will offer as an Exhibit, and will you explain the layout of this Exhibit.

A Exhibit 1 is a brochure we have prepared regarding this case. On the left we have a brief discussion which goes into the merits of the case. On the right we have a plat showing the location where we propose to drill on an unorthodox location. We also have a list of mineral owners as an attachment to it.

Q The items on the right will be referred to as attachments. Will you state, briefly, what your purpose of this application is?

A Pan American desires to drill a Red Lake-Pennsylvanian



Gas Well. We would like to drill it at a location on Unit G in Section 4, Township 18 South, Range 27 East, which we consider the best location for Empire Abo development in order that we can consider the possibility of a dual Red Lake Empire Abo Well after we review the logs.

Q Will you refer to your Attachment 1, and state what is shown on this attachment, please, sir?

A This is a plat which shows the present limits of the Red Lake-Pennsylvanian Gas Pool. They are outlined in red. It shows by red stars the three wells which are presently producing from the Red Lake-Pennsylvanian Pool; and the southernmost well of the three is a dual Red-Lake Pennsylvanian Empire Abo Well. The red arrow shows a location where we request an approval of an unorthodox gas well location. This location is 330 from the south and east lines of the Southwest Quarter of the Northeast Quarter of Section 4, Township 18 South, Range 27 East. It's an orthodox location for Empire Abo development.

Q What is shown by the green dots?

A The green dots show Empire Abo Oil Wells.

Q Do you consider the entire Quarter Section or the east half of this Section 4, the Area where you are drilling the Pennsylvanian Well, to be productive in the Pennsylvanian?

A We do.

Q And, what is your primary purpose, or sole purpose in requesting the unorthodox Pennsylvanian location?



A In order that we can consider the possibility of an Empire Abo dual Red Lake-Pennsylvanian if it's indicated by samples and logs after the well is drilled. We consider this the best location on a Quarter Quarter Section for Empire Abo development.

Q Well, is this location for your Empire Abo, is that in accord with the spacing part eastern that is, in existence around this well?

A It's an orthodox location for Empire Abo development, and it is in accordance with the spacing pattern set by number of the offsetting Empire Abo Wells which have been drilled 330 out of the Quarter Quarter corner.

Q Of the Southwest Quarter Quarter corner?

A Yes, sir; that is correct.

Q Would you refer to your Attachment 2 and state what that attachment shows?

A Attachment 2 shows the ownership as indicated by Pan American's records of the Area's mineral interests under the east half of Section 4. Humble is presently negotiating to communitize this entire east half of Section 4, and upon completion of these negotiations, assuming a successful Pennsylvanian Well, why, we will assign the entire east half of the section to this particular well for Pennsylvanian Gas.

Q I notice that this well location, which is considered an unorthodox location, was closer to the northern boundary of



the Southwest Quarter of Section 4. How much closer is that to that boundary line than an orthodox location for the Red Lake-Pennsylvanian Gas?

A Orthodox location should be 660 feet from the south boundary of the Quarter Section. We are 330 feet from it, so we are 330 feet closer than an orthodox location for Pennsylvanian Gas.

Q I note that Windfohr and Associates are the owners of the lease on the Southwest Quarter of Section 4. Have you had any expression from that group relative to the communitization for the units?

A The communitization agreement has been executed by both of the parties of interest. Mr. Robert F. Windfohr who, along with his associates owns an interest in this Southeast Quarter, has given Pan American a letter dated June 8 whereby he expresses his intent to communitize his interest with the remainder of the half section.

Q Mr. Sandidge, I believe you spoke of the Southwest Quarter.

MR. NEWMAN: I meant the Southeast Quarter. I asked the question the west, the Southeast Quarter, and it was intended to the Southeast Quarter.

Q (By Mr. Newman) In this view, would correlative rights in any way be adversely affected by the granting of this Application?



A No.

Q Would waste in any way be caused or effected by the granting of this Application?

A We do not think so in that by drilling a well and dually completing, we can save a considerable amount of money. As indicated on our discussion, we estimate the cost of a dual Pennsylvanian Gas Empire Oil Well at approximately \$153,000.00. A single Abo completion at an orthodox location -- Well, I don't guess the location matters. A single Abo completion is estimated at \$69,000.00, and a single Pennsylvanian Gas completion is estimated at \$131,000.00. Therefore, we feel that a dual completion saves us \$47,000.00.

Q And, is it your opinion that for the production of a Red Lake-Pennsylvanian Gas Well, that any location in that Quarter Quarter Section is as good as any other location in that Quarter Quarter Section?

A I do.

Q And, it is your opinion that for the purposes of Abo production the better location would be the location requested, 330 out of the south and east of the Southwest of the Northeast?

A I feel that the location 330 out of the Southeast Quarter is the most favorable location on the Quarter Quarter Section for Abo production.

Q Now, was this Exhibit prepared by you or under your direction?



A It was.

MR. NEWMAN: We would like to offer the Exhibit.

Do you have any more statements to make in connection with this case?

THE WITNESS: I have no further statements.

MR. NEWMAN: That is all.

MR. UTZ: Without objection, Exhibit 1 with its attachments will be entered into the record in this case.

(Whereupon Petitioner's Exhibit 1 with attachments, received in evidence.)

Q (By Mr. Utz) Mr. Sandidge, is this Pool operating under Rule 107, General Rule?

A There are no field rules established for the Pennsylvanian Gas Pool.

Q Therefore, it is operating under the statewide Rule 107?

A Yes, sir.

Q The standard location, I believe you stated, would be 660 out of the corner of 160-acre unit?

A It would. As I understand the Rule, it would have to be 660 from the boundary of the Quarter Section.

Q The Quarter Section, or Quarter Quarter?

A The Quarter Section.

Q Now, at the present time then, you will only be able to dedicate 160 acres to this well?



A Well, the company would like to proceed with the drilling of the well as soon as possible irregardless of the status of the communitization agreement. We anticipate that everyone who hasn't signed -- I think only the Windfohr people have not signed -- will sign the agreement. Hondo, who owns an interest in the Southeast Quarter of the Northeast Quarter, has already executed the agreement; and in the event something should go wrong on the Windfohr interest, why, we feel that we could still dedicate the entire Northeast Quarter of the Section.

MR. NEWMAN: But, you do have a letter from Windfohr expressing approval of the drilling of the unit?

THE WITNESS: Yes.

MR. MORRIS: May I object to this. I think Mr. Utz' question is directed to the point that only 160 acres is the size of the proration units established in this Pool, that you won't be able to dedicate 320 to it anyway.

THE WITNESS: In the absence of the Pool Rules, I was under the impression that we could.

MR. UTZ: No. I think you had possibly better relay the information back that you have to follow Rule 107.

THE WITNESS: I thought Rule 104 was the one we were under.

Q (By Mr. Utz) Therefore, the attachments as to the ownership, as to acreage that could legally be dedicated for the well at this time would be somewhat different; would it not?



A Under your interpretation, Mr. Utz, that is correct.

MR. UTZ: I believe the second page of the Attachment would not apply under those conditions. That says the Southwest Quarter. It doesn't say Southeast. If you will correct your Exhibit, I will appreciate it.

Are there other questions of the Witness?

MR. MORRIS: Yes, sir.

Q (By Mr. Morris) Mr. Sandidge, inasmuch as you are only going to be able to dedicate 160 acres to this well in the absence of the special Pool Rules, do you feel that the unorthodox location, producing as it is, the Southeast Quarter of Section 4 will preclude development in that Quarter Section in the Red Lake-Pennsylvanian?

A Well, that is a difficult question to answer until we see what kind of a well we get at this location on this Northeast Quarter. If we get a well that is sufficiently good on the Northeast Quarter, and if we are not able to work out something on the acreage, I think the company will very certainly consider development on the Southeast Quarter.

Q I see.

A If we get a poor well, why, we may conclude it's not economical.

Q Do you know of any other development in the Pennsylvanian that is going on in this area at the present time either in, say, Section 3, 9, or 10?



A As indicated by the the Sackett acreage, we operate the great bulk of that acreage, and we certainly have no plans for development at this time in the Red Lake-Pennsylvanian on those sections, so far as I know. We are a member of the Chalk Bluff Draw Unit with Humble who owns the Northwest Quarter of nine. We have received no proposal from Humble for development on that. I can't speak for Carper, but I have heard nothing to that effect.

MR. MORRIS: Thank you, sir.

Q (By Mr. Utz) Has this well received administrative approval?

A No, sir. We plan to review our logs and samples and so forth, and then request an approval.

Q Do you know whether it is eligible for administrative approval?

A So far as I know, it would be.

MR. UTZ: Are there other questions? This witness may be excused. Are there other statements in this case? The case will be taken under advisement.



STATE OF NEW MEXICO)
) ss
 COUNTY OF BERNALILLO)

I, MICHAEL P. HALL, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill, and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 19th day of July, 1961.

Michael P. Hall
 Notary Public-Court Reporter

My Commission expires:

June 20, 1965.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2340, heard by me on July 19, 1961.

John P. Hall Examiner
 New Mexico Oil Conservation Commission

DEARNLEY-MEIER REPORTING SERVICE, Inc.

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