



STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION



BRUCE KING  
GOVERNOR

ANITA LOCKWOOD  
CABINET SECRETARY

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87504  
(505) 827-5800

February 15, 1994

KELLAHIN AND KELLAHIN  
Attorneys at Law  
P. O. Drawer 2265  
Santa Fe, New Mexico 87504

RE: CASE NO. 10900  
ORDER NO. R-9935-A

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

  
Sally E. Martinez  
Administrative Secretary

cc: BLM - Roswell

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

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. 10,900  
APPLICATION OF H.L. BROWN, JR. )  
\_\_\_\_\_ )

**ORIGINAL**

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: JIM MORROW, Hearing Examiner

MAR 21 1994

February 3rd, 1994

Santa Fe, New Mexico

This matter came on for hearing before the Oil  
Conservation Division on Thursday, February 3rd, 1994, at  
Morgan Hall, State Land Office Building, 310 Old Santa Fe  
Trail, Santa Fe, New Mexico, before Steven T. Brenner,  
Certified Court Reporter No. 7 for the State of New Mexico.

\* \* \*

## I N D E X

February 3rd, 1994  
 Examiner Hearing  
 CASE NO. 10,900

PAGE

## APPLICANT'S WITNESSES:

JOHN T. GREY

Direct Examination by Mr. Kellahin  
 Examination by Examiner Morrow

5  
 12

## REPORTER'S CERTIFICATE

15

\* \* \*

## E X H I B I T S

	Identified	Admitted
Exhibit 1	7	12
Exhibit 2	8	12
Exhibit 3	9	12
Exhibit 4	11	12

\* \* \*

## A P P E A R A N C E S

## FOR THE DIVISION:

ROBERT G. STOVALL  
 Attorney at Law  
 Legal Counsel to the Division  
 State Land Office Building  
 Santa Fe, New Mexico 87504

## FOR THE APPLICANT:

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   8:26 a.m.:

3           EXAMINER MORROW: Now call Case 10,900.

4           MR. STOVALL: It's the Application of H.L. Brown,  
5   Jr., to amend Division Order No. R-9935 to approve an  
6   unorthodox gas well location, Roosevelt County, New Mexico.

7           EXAMINER MORROW: Call for appearances in this  
8   case.

9           MR. KELLAHIN: If the Examiner please, I'm Tom  
10   Kellahin of the Santa Fe law firm of Kellahin and Kellahin,  
11   appearing on behalf of the Applicant, and I have one  
12   witness to be sworn.

13          EXAMINER MORROW: All right. Any other  
14   appearances?

15          Witness is standing, be sworn.

16          (Thereupon, the witness was sworn.)

17          EXAMINER MORROW: Mr. Kellahin?

18          MR. KELLAHIN: Mr. Examiner, we're back before  
19   you seeking the amendment of a previous Division Order.

20          I have supplied to you a land plat which is the  
21   land plat out of the original case that was heard by  
22   Examiner Catanach back in July of 1993. Underneath the  
23   land plat is a copy of the Division's prior Order. It's  
24   Order Number R-9935.

25          And what Brown had sought to do in that case is

1 to drill a Devonian test at an unorthodox location.

2 If you'll look at the land plat and find Section  
3 27, he had sought to dedicate the north half of the  
4 southwest quarter. This is an 80-acre oil Devonian pool.  
5 It's the North Bluitt Siluro-Devonian Pool.

6 My witness today is John Grey. Mr. Grey is the  
7 engineering witness in the original hearing. He's back  
8 before you again today to describe what has transpired.

9 Briefly, they drilled the well and found it to be  
10 noncommercial in the Devonian. Mr. Grey would like to take  
11 the existing wellbore, have authority to produce it in the  
12 Wolfcamp. The dedication for the Wolfcamp will be the west  
13 half of Section 27. It will be at an unorthodox location,  
14 as we will show you. He is too close to the west boundary  
15 of the spacing unit.

16 The interest owners involved are identical with  
17 regards to the working interest owners, and so the  
18 encroachment is towards interest owners in this same well,  
19 with the exception of an overriding royalty owner. That  
20 owner was notified, or those owners were notified in the  
21 first hearing. They chose not to appear. We notified them  
22 again. We've heard nothing from them.

23 We're now seeking authority to produce this  
24 existing well at its current unorthodox location in the  
25 Wolfcamp reservoir.

1                                    JOHN T. GREY,  
2     the witness herein, after having been first duly sworn upon  
3     his oath, was examined and testified as follows:

4                                    DIRECT EXAMINATION

5     BY MR. KELLAHIN:

6                Q.     Mr. Grey, for the record would you please state  
7     your name and occupation?

8                A.     My name is John T. Grey. I'm an engineer. I  
9     work for H.L. Brown, Jr.

10              Q.     At the hearing conducted in Case 10,769, were you  
11     qualified as an expert engineering witness in the  
12     presentation of Brown's request to have this well  
13     originally drilled to a Devonian location?

14              A.     Yes, sir, I was.

15              Q.     Subsequent to that, did you cause this well to be  
16     drilled?

17              A.     Yes, sir, we did drill the well.

18              Q.     And you are now back before the Division seeking  
19     authority to approve this well for production out of the  
20     Wolfcamp formation?

21              A.     Yes, sir, that's correct.

22              Q.     As part of those duties, have you examined the  
23     details with regards to the location of this well in the  
24     top of the Wolfcamp formation?

25              A.     Yes, sir, I have.

1 MR. KELLAHIN: We tender Mr. Grey as an expert  
2 petroleum engineer.

3 EXAMINER MORROW: Mr. Grey's qualifications are  
4 satisfactory.

5 Q. (By Mr. Kellahin) Mr. Grey, let me have you  
6 turn, sir, to what is marked as the Exhibit 1 to this  
7 hearing. It should be a structure map. Do you have a copy  
8 of that, sir?

9 A. Yes, sir, I do.

10 Q. While this is a structure map on top of the  
11 Wolfcamp, I'd like you to, before we start discussing the  
12 Wolfcamp, give us a short summary of what you were trying  
13 to accomplish with this well at this location when you  
14 drilled it to the Devonian.

15 A. Yes, sir. The Devonian structure is masked by  
16 any seismic reflections because of the Wolfcamp, and we  
17 depend upon the Wolfcamp structure to give us an idea of  
18 what's going on in the Devonian.

19 And we felt that this location was at a  
20 structural high in the Devonian and wasn't being drained by  
21 the other wells in the field, and that was the main reason  
22 for an unorthodox location in the Devonian.

23 Q. The surface location approved by the Division was  
24 330 from the west line of the section, and then the other  
25 dimension was 2590 from the south line?

1 A. That's correct.

2 Q. And did you drill the well starting at that  
3 location?

4 A. Yes, sir, we did.

5 Q. Where did that well finally end up as a  
6 bottomhole location in the Devonian?

7 A. At the top of the Devonian it ended up being 56.9  
8 feet east of the surface location and 1.28 feet north of  
9 the surface location.

10 Q. Were you able to successfully complete this well  
11 in the Devonian so that it was a commercial producing oil  
12 well?

13 A. No, sir, we tried two separate zones in the  
14 Devonian and were not able to complete either one.

15 Q. In looking at any other uphole potential in the  
16 well as it existed at that time, what did you determine?

17 A. There is uphole potential here in the Wolfcamp,  
18 and possibly further uphole in the San Andres.

19 Q. Have you caused your geologist to prepare a map  
20 showing the structure of the Wolfcamp as displayed on the  
21 top of the Wolfcamp formation?

22 A. Yes, sir.

23 Q. Describe for us what Exhibit 1 shows.

24 A. This is a three-well cross-section.

25 Q. I'm sorry, Exhibit 1, complete the structure map.



1           A.    Oh, I'm sorry, excuse me.

2           Q.    Now we're in the top of the Wolfcamp.  Where is  
3 this well, now, within the Wolfcamp structure?

4           A.    It is in the northern pod of this reservoir at a  
5 structural position of 3873 subsea.

6           Q.    Have you tested the well in the Wolfcamp to  
7 determine if it has any potential?

8           A.    Yes, sir, we have.

9           Q.    And what have you determined?

10          A.    It will flow at about 320 MCF a day, with about  
11 two barrels of condensate.

12          Q.    In your opinion, is it appropriate to produce  
13 this existing well in the Wolfcamp at this location, rather  
14 than redrill the well at a standard location?

15          A.    Yes, sir, it's the least expensive thing to do.

16          Q.    Let's look at the cross-section now, if you'll  
17 turn to Exhibit Number 2.  Identify for us the wells shown  
18 on the cross-section.

19          A.    The well on the left represents the westernmost  
20 well in Section 33 at the location marked A on the  
21 structure map, and it's the Federal Number 1 well.

22                The center well is the well in the western half  
23 of Section 34, and it's the Federal 1-"E".

24                And the well in the right-hand section of the  
25 cross-section is the target well, the Federal 27 Number 2.

1 Q. Does the subject Wolfcamp well appear to have  
2 characteristics of a gas-producing zone as opposed to a  
3 Wolfcamp oil zone?

4 A. Yes, sir.

5 Q. How does this well compare to the other two known  
6 producing Wolfcamp gas wells in the area?

7 A. It's very similar to them in almost all  
8 characteristics. Bottomhole pressures, initial bottomhole  
9 pressures, are very similar. The gas analysis of the  
10 fluids are very, very similar.

11 There is one difference. This well does not make  
12 as much condensate as the other wells do.

13 Q. Let's turn now to Exhibit Number 3. Did you  
14 cause to be conducted a directional or a deviation survey  
15 on this well?

16 A. Yes, sir, we did.

17 Q. And is this a true and accurate depiction of the  
18 results of that survey?

19 A. Yes, sir, it is.

20 Q. Describe for us what it shows.

21 A. This is a picture looking straight down on the  
22 wellbore. And as we drilled the well, we crossed the  
23 original proration unit line, which is marked at 50 feet  
24 north of the surface location.

25 Q. You're looking at the area contained within the

1 circle?

2 A. Yes, sir.

3 Q. The center of the circle, then, is the surface  
4 location of the well, 330 from the west and 2590 from the  
5 south?

6 A. Yes, sir, that's correct.

7 Q. And as you commenced to drill, then, we should  
8 follow the random line, if you will, that moves to the  
9 southeast and then goes to the east?

10 A. Yes, sir, that's correct.

11 Q. What is that display?

12 A. That is the directional survey of the wellbore as  
13 it was drilled through the Abo formation.

14 Q. When we get down to the top of the Wolfcamp  
15 formation, can you read this display and tell us where we  
16 are in relation to a surface location?

17 A. Yes, sir, we are at the furthest extremity from  
18 the wellbore at a location approximately 72.2 feet north of  
19 the surface location and 66.19 feet east of the surface  
20 location.

21 Q. When you do the arithmetic, then, where does this  
22 place the request for an unorthodox location when we're  
23 looking at the Wolfcamp in relation to the side boundaries  
24 of its spacing unit?

25 A. It ends up being 396 feet from the west line and

1 2662 feet from the south line.

2 Q. Under 320 gas spacing rules, a standard well  
3 would be located 660 from the west boundary , and this well  
4 is 396?

5 A. That's correct, sir.

6 Q. All right. Let's turn now to the subject of the  
7 interest owners. Have the owners, the working interest  
8 owners in the well, agreed to participate in the Wolfcamp?

9 A. Yes, sir, they all have.

10 Q. And is there an agreement to orient the spacing  
11 unit such as -- so as to dedicate the west half of Section  
12 27 to the well?

13 A. Yes, sir, there is.

14 Q. In doing so, are there any other interest owners  
15 that would not participate in this production that have an  
16 interest in Section 28?

17 A. There would be some overriding royalty interest  
18 owners that would not participate.

19 Q. Are those the same interest owners, then, that  
20 were notified in the original nonstandard location case?

21 A. Yes. Yes, sir.

22 Q. And we have caused those same owners to be  
23 notified again?

24 A. Yes, sir, we have.

25 MR. KELLAHIN: I believe Exhibit Number 4, Mr.

1 Examiner, is our certificate of notification to all those  
2 owners, not only those towards whom we're encroaching, but  
3 the working interest owners in the well.

4 Q. (By Mr. Kellahin) Anything else, Mr. Grey?

5 A. No, sir.

6 MR. KELLAHIN: That concludes our presentation,  
7 Mr. Examiner.

8 We move the introduction of Brown's Exhibits 1  
9 through 4.

10 EXAMINER MORROW: Exhibits 1 through 4 are  
11 accepted into the record.

12 EXAMINATION

13 BY EXAMINER MORROW:

14 Q. Mr. Grey, the west offsets are the working  
15 interest owners in Section 28. I believe you indicated  
16 they were the same owners who had ownership in the proposed  
17 well; is that correct?

18 A. Yes, sir, that's correct.

19 Q. What is the extent of the overriding royalty  
20 interest? Do you know?

21 A. No, sir, not right off the top of my head, but  
22 it's very, very small.

23 Q. Very small?

24 A. Yes, sir.

25 Q. In calculating the absolute open flow, how did

1 you determine the 22 barrels of condensate that you've  
2 indicated would be the proportion of your results on the  
3 absolute open flow?

4 A. That was a calculation made on the four-point  
5 test taken at that time, so it's an arithmetic 24-hour  
6 calculation.

7 Q. Okay. Well, you said 320 and two barrels, so  
8 absolute open flow is about five times as much gas and 11  
9 times as much condensate. I wondered how you determined  
10 that.

11 A. Initially, the well did make quite a bit more  
12 condensate than it is now. It has just tapered off on  
13 making condensate.

14 Q. So is the 320 and the two barrels a more recent  
15 test --

16 A. Yes, sir.

17 Q. -- than the open flow?

18 A. Yes, sir.

19 Q. Okay. In looking at this before the hearing, I  
20 wondered -- and maybe Tom can answer this; it would help if  
21 you answer it -- could this well have qualified for an  
22 administrative exception? It appeared that it could have  
23 to me.

24 MR. KELLAHIN: It might have, Mr. Morrow. The  
25 fact that we had an existing examiner order caused us to go

1 ahead and file it to amend the existing order.

2 But quite frankly, we might have been able to  
3 process it administratively. We were not certain.

4 EXAMINER MORROW: Okay. Bob, have you got  
5 anything?

6 MR. STOVALL: No.

7 EXAMINER MORROW: Case 10,900 will be taken under  
8 advisement.

9 THE WITNESS: Thank you.

10 EXAMINER MORROW: Thank you, Mr. Grey.

11 (Thereupon, these proceedings were concluded at  
12 8:42 a.m.)

13 \* \* \*

14

15

16

17

18

19

20

21

22

23

24

25


## 1 CERTIFICATE OF REPORTER

2  
3 STATE OF NEW MEXICO )  
4 ) ss.  
COUNTY OF SANTA FE )

5  
6 I, Steven T. Brenner, Certified Court Reporter  
7 and Notary Public, HEREBY CERTIFY that the foregoing  
8 transcript of proceedings before the Oil Conservation  
9 Division was reported by me; that I transcribed my notes;  
10 and that the foregoing is a true and accurate record of the  
11 proceedings.

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

16 WITNESS MY HAND AND SEAL February 15th, 1994.

17  
18   
19 STEVEN T. BRENNER  
CCR No. 7

20  
21 My commission expires: October 14, 1994

22 I do hereby certify that the foregoing is  
23 a complete record of the proceedings in  
24 the Examiner hearing of Case No. 10900,  
heard by me on Feb. 3, 1994.

25 , Examiner  
Oil Conservation Division