

## 1 NEW MEXICO OIL CONSERVATION DIVISION

2 STATE LAND OFFICE BUILDING

3 STATE OF NEW MEXICO

4 CASE NO. 10926

5  
6 IN THE MATTER OF:7  
8 The Application of David H. Arrington  
9 Oil & Gas, Inc., for an Unorthodox  
10 Gas Well Location and a Nonstandard  
11 Spacing Unit, Lea County, New Mexico.  
12  
13  
14

15 BEFORE:

16 DAVID R. CATANACH

17 Hearing Examiner

18 State Land Office Building

19 March 3, 1994  
2021  
22  
23 REPORTED BY:

24 CARLA DIANE RODRIGUEZ

25 Certified Shorthand Reporter  
for the State of New Mexico

APR 12 1994

ORIGINAL

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

FOR THE NEW MEXICO OIL CONSERVATION DIVISION:

**ROBERT G. STOVALL, ESQ.**

General Counsel  
State Land Office Building  
Santa Fe, New Mexico 87504

FOR THE APPLICANT:

CAMPBELL, CARR, BERGE & SHERIDAN, P.A.

Post Office Box 2208

Santa Fe, New Mexico 87504-2208

BY: **WILLIAM F. CARR, ESQ.**

## I N D E X

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1 EXAMINER CATANACH: At this time I'll  
2 call Case 10926.

3 MR. STOVALL: Application of David H.  
4 Arrington Oil & Gas, Inc., for an unorthodox gas  
5 well location and nonstandard spacing unit, Lea  
6 County, New Mexico.

7 EXAMINER CATANACH: Are there  
8 appearances in this case?

9 MR. CARR: May it please the Examiner,  
10 my name is William F. Carr with the Santa Fe law  
11 firm, Campbell, Carr, Berge & Sheridan. I  
12 represent Arrington Oil & Gas, Inc., and I have  
13 one witness.

14 EXAMINER CATANACH: Any additional  
15 appearances? Will the witness please stand to be  
16 sworn in.

17 **KEITH LOGAN**

18 Having been first duly sworn upon his oath, was  
19 examined and testified as follows:

20 EXAMINATION

21 BY MR. CARR:

22 Q. Will you state your name for the  
23 record, please.

24 A. My name is Keith Logan, and I reside in  
25 Midland, Texas.

1 Q. Mr. Logan, by whom are you employed?

2 A. I'm a consultant, being retained by Mr.  
3 Arrington in this case.

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

6 A. Yes, I have.

7 Q. At the time of that testimony were your  
8 credentials as a petroleum engineer accepted and  
9 made a matter of record?

10 A. Yes, they were.

11 Q. Are you familiar with the application  
12 filed in this case on behalf of Mr. Arrington?

13 A. Yes, I am.

14 Q. Are you familiar with the proposed well  
15 and the offsetting development in the Eumont  
16 pool?

17 A. Yes.

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

20 EXAMINER CATANACH: Yes, they are.

21 Q. Mr. Logan, would you briefly state what  
22 is being sought with this application?

23 A. We're seeking approval for a 160-acre  
24 nonstandard proration unit in the Eumont gas  
25 pool, located in Section 34, Township 19 South,

1 Range 36 East, comprised of the south half of the  
2 south half of Section 34, and approval of an  
3 unorthodox well location 660 feet from the south  
4 line and 480 feet from the east line of the  
5 section.

6 Q. And that's for your proposed Foster No.  
7 4?

8 A. Foster No. 4.

9 Q. What are the well location requirements  
10 in the Eumont gas pool?

11 A. That the Eumont gas well be located at  
12 least 660 feet from the outer boundary of that  
13 proration unit.

14 Q. What you're doing is proposing that the  
15 well be drilled closer to the eastern edge of the  
16 proposed proration unit?

17 A. Correct.

18 Q. Let's go to what has been marked for  
19 identification as Arrington Exhibit No. 1. I  
20 would ask you to identify this and then briefly  
21 review it for the Examiner.

22 A. Exhibit No. 1 is the location plat. It  
23 shows the wells in the area and offsetting units  
24 dedicated to the Eumont gas pool. The outlined  
25 acreage, being the south half of the south half

1 of Section 34, is the proposed proration unit.

2 Q. This proposed proration unit has a long  
3 history, does it not?

4 A. Yes, it does.

5 Q. Could you review briefly for the  
6 Examiner the history of the south half of the  
7 south half of Section 34?

8 A. Yes. The south half of the south half  
9 was originally authorized as a nonstandard  
10 proration unit in the Eumont gas pool, by  
11 Administrative Order NSP-393 in September of  
12 1957, dedicated to the Foster No. 2, which is  
13 located in the southwest of the southeast of  
14 Section 34.

15 In 1978, Foster No. 2 became an oil  
16 well, and the acreage dedication was reduced to  
17 40 acres.

18 In July of 1981, the Foster No. 2 was  
19 reclassified as a gas well and the south half of  
20 the south half was again approved for the well,  
21 and that was by Order No. NSP-1311. And that was  
22 dated June of 82.

23 In September of 84, the well was,  
24 again, classified as an oil well, and the  
25 southwest quarter of the southeast quarter of

1 Section 34 was dedicated to that well which, at  
2 that time, the previously approved south half  
3 south half unit ceased to exist.

4 Then, in September, there was a hearing  
5 asking for approval of that nonstandard proration  
6 unit, and by Order No. 10007, the south half  
7 south half unit was approved for the Foster No. 3  
8 well.

9 Q. That well was to be drilled 660 from  
10 the south line and 330 from the east line?

11 A. Correct.

12 Q. And the order provided specifically  
13 that the south half south half unit was for that  
14 well at that location?

15 A. Yes.

16 Q. What has happened with the Foster No.  
17 3?

18 A. The Foster No. 3 was drilled, well, in  
19 November of last year, and it was drilled to the  
20 Abo at approximately 8,000 feet.

21 Q. Was a well made in the Abo?

22 A. Yes, it was.

23 Q. What is Mr. Arrington now seeking to do  
24 to try and develop the Eumont?

25 A. He's essentially wanting to drill a



1 replacement well for the Foster No. 3, to produce  
2 the Eumont gas reserves.

3 Q. This location is 150 feet west of the  
4 location approved last year?

5 A. Correct.

6 MR. CARR: Now, Mr. Catanach, we've  
7 reviewed this with Mr. Stogner. Because of the  
8 wording of the prior order in making the  
9 existence of that south half south half unit  
10 specifically for Foster No. 3, at a specific  
11 location, Mr. Stogner recommended, in view of  
12 this long history, that we bring this matter back  
13 to you for hearing, and that's why we're here  
14 today.

15 Q. Why, Mr. Logan, did Arrington drill the  
16 well down to the Abo?

17 A. It was required by his agreement with  
18 Shell.

19 Q. Have you been successful in making a  
20 well there?

21 A. We have made some reserves in the  
22 Foster No. 3.

23 Q. Did you anticipate being able to make a  
24 successful well in the Abo?

25 A. No. It was strictly a secondary

1 objective, in my opinion, quite high risk, and  
2 there was no plan to produce the Abo, with the  
3 thought of dually completing with the Eumont at  
4 the time the well was drilled.

5 Q. What did the well in the Abo initially  
6 test at?

7 A. 22 barrels a day, and quite a bit of  
8 water production.

9 Q. Is it prudent, in your opinion, to  
10 develop both the Abo and the Eumont in this  
11 wellbore?

12 A. No, it is not, not with the 5-1/2"  
13 casing that's in there.

14 Q. Could you identify for the Examiner  
15 what has been marked as Arrington Exhibit No. 2?

16 A. Okay. Exhibit No. 2 is the order,  
17 Order No. R-10007, which approved the nonstandard  
18 proration unit and the unorthodox location for  
19 the Foster No. 3. And, in that, it also spells  
20 out the history of this proration unit.

21 Q. All right. Let's move to Arrington  
22 Exhibit No. 3. Would you identify and review  
23 that for Mr. Catanach?

24 A. Exhibit No. 3 is really just a  
25 production map, showing production strictly from

1 the Eumont gas pool in the area. There are some  
2 other well locations on there, but they are oil  
3 wells, and I've strictly used them as control  
4 points for my structure map.

5 As you can see, you've got, in Section  
6 34, 4.9 Bcf cumulative production out of that  
7 well north of our proposed proration unit, and,  
8 to the south, you've got 6.1 Bcf, and I think  
9 it's pretty easy to follow from that point. It's  
10 just showing that there's been significant  
11 reserves produced from the Eumont gas pool.

12 Q. Let's go to your structure map, Exhibit  
13 No. 4. Would you review that, please?

14 A. This is a structure map on the top of  
15 the Queen, which is really the uppermost interval  
16 that produces in the Eumont gas pool.

17 What I'm showing here, I've added,  
18 since the previous hearing, the control point for  
19 the Foster No. 3. As you can see, as you go  
20 east, you're gaining structure, so our proposed  
21 location now will be somewhat downdip of the  
22 original Foster No. 3.

23 Q. With the Foster No. 3 drilled to the  
24 Abo, is this the best available location to  
25 produce the reserves under this acreage?

1 A. Yes, it is.

2 Q. Now, you are a standard setback from  
3 the north and south lines of this unit, is that  
4 right?

5 A. Yes, we are.

6 Q. You're only encroaching to the east?

7 A. Correct.

8 Q. Who is the offsetting operator to the  
9 east?

10 A. Amerada Hess.

11 Q. Has Amerada Hess received notice of  
12 this application?

13 A. Yes, they have.

14 Q. Is Exhibit No. 5 a copy of an  
15 affidavit, with attached letters and return  
16 receipts, confirming that, in fact, notice has  
17 been provided?

18 A. Yes, it is.

19 Q. Will approval of this application  
20 result in the recovery of hydrocarbons that  
21 otherwise will not be recovered?

22 A. Yes, it will.

23 Q. Will approval of the application  
24 otherwise be in the best interest of  
25 conservation, the prevention of waste, and the

1 protection of correlative rights?

2 A. Yes, it will.

3 Q. Were Exhibits 1 through 5 either  
4 prepared by you or compiled under your direction  
5 and supervision?

6 A. Yes, they were.

7 MR. CARR: At this time, Mr. Examiner,  
8 we move the admission of Arrington Exhibits 1  
9 through 5.

10 EXAMINER CATANACH: Exhibits 1 through  
11 5 will be admitted as evidence.

12 MR. CARR: That concludes my direct  
13 examination of this witness.

14 EXAMINATION

15 BY EXAMINER CATANACH:

16 Q. Mr. Logan, your proposed location is  
17 actually less unorthodox than the No. 3 well, is  
18 that correct?

19 A. Yes.

20 Q. And the No. 3 well, on the basis of  
21 your geologic interpretation, was approved by  
22 R-10007?

23 A. Yes, it was.

24 Q. The remainder of Section 34, is that  
25 dedicated to a proration unit?

1           A.       It's dedicated to that well in, what  
2 would that be, the northeast of the southeast  
3 quarter.

4           EXAMINER CATANACH:   Okay.   I don't have  
5 anything else.   The witness may be excused.

6           MR. CARR:   We have nothing further in  
7 this case.

8           EXAMINER CATANACH:   If not, Case 10926  
9 will be taken under advisement.

10                   (And the proceedings concluded.)

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I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 10926,  
heard by me on March 3 19 87.  
David R. Catanach, Examiner  
Oil Conservation Division

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2  
3 CERTIFICATE OF REPORTER4 STATE OF NEW MEXICO )  
5 ) ss.  
6 COUNTY OF SANTA FE )7 I, Carla Diane Rodriguez, Certified  
8 Shorthand Reporter and Notary Public, HEREBY  
9 CERTIFY that the foregoing transcript of  
10 proceedings before the Oil Conservation Division  
11 was reported by me; that I caused my notes to be  
12 transcribed under my personal supervision; and  
13 that the foregoing is a true and accurate record  
14 of the proceedings.15 I FURTHER CERTIFY that I am not a  
16 relative or employee of any of the parties or  
17 attorneys involved in this matter and that I have  
18 no personal interest in the final disposition of  
19 this matter.

20 WITNESS MY HAND AND SEAL April 4, 1994.

21  
22   
23 CARLA DIANE RODRIGUEZ, RPR  
24 CSR No. 4  
25