

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
CASE 9853

EXAMINER HEARING

IN THE MATTER OF:

Application of David H. Arrington Oil
and Gas, Inc., for a non-standard
gas proration unit, Lea County,
New Mexico.

TRANSCRIPT OF PROCEEDINGS

BEFORE: DAVID R. CATANACH, EXAMINER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

February 7, 1990

ORIGINAL

CUMBRE COURT REPORTING
(505) 98422244

A P P E A R A N C E S

FOR THE DIVISION:

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State Land Office Building
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FOR THE APPLICANT:

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1 EXAMINER CATANACH: At this time we'll call
2 Case 9853.

3 MR. STOVALL: Application of David H.
4 Arrington Oil and Gas, Inc., for a non-standard gas
5 proration unit, Lea County, New Mexico.

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

8 MR. CARR: May it please the Examiner, my
9 name is William F. Carr with law firm of Campbell &
10 Black, P.A., of Santa Fe. We represent David
11 Arrington, and I have one witness.

12 EXAMINER CATANACH: Any other appearances?
13 Will the witness please stand to be sworn in.

14 (Thereupon, the witness was sworn.)

15 DAVID H. ARRINGTON

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

18 EXAMINATION

19 BY MR. CARR:

20 Q. Will you state your full name and place of
21 residence?

22 A. David H. Arrington, Midland, Texas.

23 Q. Mr. Arrington, by whom are you employed?

24 A. I'm an independent oil operator; I'm
25 self-employed.

1 Q. Have you previously testified before the
2 New Mexico Oil Conservation Division?

3 A. No, sir.

4 Q. Would you briefly review your experience in
5 the oil and gas business for the Examiner.

6 A. I worked one year in Andrews, Texas for
7 M. T. Petroleum as a landman. I've been an
8 independent operator for the past six years.

9 Q. What have you been doing as an independent
10 operator?

11 A. I've been putting together prospects
12 geologically, have raised money drilling wells and
13 operating wells if productive.

14 Q. As an independent operator, are you called
15 upon to review geological and engineering
16 presentations?

17 A. Yes, sir.

18 Q. Do you have any formal training as either a
19 geologist or an engineer?

20 A. Just practical experience in the industry.

21 Q. How many wells have you actually drilled?

22 A. About 30.

23 Q. How many wells at this time do you operate?

24 A. I operate 35 wells, six of which are in New
25 Mexico.

1 Q. You are the Applicant in this case?

2 A. Yes, sir.

3 MR. CARR: We tender Mr. Arrington as a
4 practical oil man.

5 EXAMINER CATANACH: Mr. Arrington is so
6 qualified.

7 Q. Mr. Arrington, would you state briefly what
8 you seek with this application?

9 A. Approval for 160-acre nonstandard Jalmat
10 gas proration unit.

11 Q. Could you identify what has been marked as
12 Arrington Exhibit No. 1, and review this for the
13 Examiner, please.

14 A. Exhibit No. 1, the acres marked in yellow
15 is the acres that I propose for the 160-acre
16 nonstandard Jalmat gas proration unit. In the pink
17 depicts dedicated acreage in the Jalmat.

18 Q. Could you review the status of the wells on
19 the proposed nonstandard proration unit and review for
20 the Examiner their current status in the formation
21 from which they produce?

22 A. Well #1 and #3 are in the Langlie-Mattix,
23 Well #4 is T and A'd in the Langlie-Mattix and will be
24 the subject well to be recompleted.

25 Q. When you recomplete this well, will it be

1 at a standard location?

2 A. Yes, sir.

3 Q. What is the status of the west half of the
4 northwest quarter of this section?

5 A. That is dedicated to the C. Meyers "B" #4.
6 It was dedicated in 1950, and it was also disconnected
7 in February of 1988.

8 Q. When did you actually acquire your interest
9 in this acreage?

10 A. September of 1989.

11 Q. Let's go now to what's been marked as
12 Arrington Exhibit No. 2. Would you identify that and
13 then review it for Mr. Catanach?

14 A. Exhibit No. 2 shows, in the pink, the pink
15 wells are the wells in that section that have been
16 completed in the Jalmat. The yellow well is our Well
17 #4 which we wish to complete in the Jalmat formation.

18 Q. Could you identify the easternmost Jalmat
19 producers in this area?

20 A. Okay. There are basically two of the most
21 eastern wells, since we are on the eastern part of the
22 pinch out. One is the Meridian well down in the
23 bottom of Section 21. It's in the southwest of the
24 southeast. That's the furthest east. Yates well.
25 The other further east Yates well is north of our #4

1 well in Section 16, Well #2, and it's in the southeast
2 to the southwest.

3 Q. And there's no Jalmat production east of
4 those two wells, is that correct?

5 A. Yes, sir.

6 Q. Would you now review what has been marked
7 for identification as Arrington Exhibit No. 3?

8 A. Exhibit No. 3 is a cross-section that shows
9 on the furthest east well--I mean, west well, is the
10 Meyers "B" #4. As you carry it across to the J. F.
11 Black #4, it shows the Yates section. It goes across
12 the lease to the water injection well, which is just
13 another available log on the cross-section, and ends
14 up on the east side with the Jamison Well #4.

15 What we show here is that on the east flank
16 of the Jalmat pool, you find a pinch out that occurs
17 somewhere around the eastern part of the proposed 160
18 acres. What you'll find, it's like a--and I've
19 colored them different--it's like a shingle effect
20 that pinches out as it goes to the east.

21 Q. Who prepared this exhibit?

22 A. Myself.

23 Q. What does this cross-section tell you about
24 the productive capabilities of the east half of the
25 northeast quarter of this section?

1 A. That it is basically nonproductive.

2 Q. Is it reasonable to assume that the acreage
3 included within your proposed nonstandard unit would
4 be productive from the Jalmat formation?

5 A. Yes, sir.

6 Q. Was notice of today's hearing provided as
7 required by Oil Conservation Division rules?

8 A. Yes, sir, it was.

9 Q. Is a copy of that notice, with attached
10 letters, included in the exhibits as Arrington Exhibit
11 No. 4?

12 A. Yes.

13 Q. Could you identify what has been marked as
14 Arrington Exhibit No. 5, please.

15 A. This is a waiver from Chevron, U.S.A.,
16 stating that they do not oppose the 160-acre
17 nonstandard Jalmat proration gas unit.

18 Q. Does Chevron operate the acreage which
19 offsets the proposed unit directly to the north?

20 A. Yes, sir, they do.

21 Q. That's the tract on which the 2A Well is
22 located?

23 A. Yes, sir.

24 Q. In your opinion, will approval of this
25 application and drilling of the proposed well prevent

1 waste?

2 A. Yes, sir, it will result in recovery of
3 hydrocarbons that would otherwise not be produced.

4 Q. Will granting the application afford you an
5 opportunity to produce reserves under your tract that
6 otherwise won't be produced?

7 A. Yes, sir.

8 Q. Were Exhibits 1 through 5 either prepared
9 by you or compiled under your direction and
10 supervision?

11 A. Yes, they were.

12 MR. CARR: At this time, Mr. Catanach, we
13 move the admission of Arrington Exhibits 1 through 5.

14 EXAMINER CATANACH: Exhibits 1 through 5
15 will be admitted as evidence.

16 MR. CARR: That concludes my direct
17 examination of this witness.

18 EXAMINATION

19 BY MR. STOVALL:

20 Q. Mr. Arrington, referring to your Exhibit 3,
21 you say you prepared that, is that correct?

22 A. Yes, sir, along with other supervision.

23 Q. What do you mean by "other supervision"?

24 A. Well, I prepared it myself, and I have a
25 consultant geologist who also works for me. But I

1 prepared it.

2 Q. Did you do the log interpretation that went
3 into the preparation of this?

4 A. Yes, sir, I did.

5 Q. Where does your geological experience come
6 from? What training have you had in geology and
7 interpretation of logs?

8 A. Practical experience from wells that
9 produce in that immediate area, as well as up and down
10 that entire trend.

11 Q. You say "practical experience"?

12 A. We go over and look at well logs, where
13 wells have produced in that immediate area, look at
14 perforations, correlate them to our logs, certain
15 markers that are identified as markers known to the
16 industry that are published markers at the top of the
17 Jalmat formation.

18 Q. You indicated that you have hired a
19 consulting geologist or have one working with you, is
20 that correct?

21 A. Yes, sir.

22 Q. Does he participate with you in this
23 process?

24 A. On a consulting basis, yes.

25 Q. Did he participate with you in the

1 development of this cross-section and interpretation
2 of the logs that are on it?

3 A. Yes, sir.

4 EXAMINATION

5 BY EXAMINER CATANACH:

6 Q. Mr. Arrington, what do the various colors
7 in the Jalmat interval indicate?

8 A. Basically all that is, we have identified
9 certain stringers or sand deposits. What we label
10 with the colors, we label them A, B, C, D, E, F and
11 G. That's just our way of looking at each one of the
12 stringers, as far as their production capabilities in
13 that area.

14 Q. You found that the Well #4 has potential in
15 the Jalmat?

16 A. Yes, sir.

17 Q. Am I correct in understanding your
18 testimony that the east half of the northeast quarter
19 is potentially nonproductive in the Jalmat?

20 A. Yes, sir.

21 Q. On what evidence do you base that statement
22 on?

23 A. Basically, number one, the trend shows that
24 we have reached the outer eastern proximity of the
25 Jalmat field as is published in different

1 publications, as well as there's no production east of
2 there. And geologically, through evaluation of the
3 logs, it shows that the sands have basically
4 disappeared. And if there are remnants of the sand,
5 the porosity streaks are not there. There might be a
6 sand there, but the porosity is so low that it has no
7 permeability or porosity.

8 Q. Is it that same conclusion you reach about
9 the east half of the southeast quarter, or did you
10 look at that?

11 A. Yes, sir.

12 Q. You reached the same conclusion for that
13 acreage?

14 A. Basically what you're finding in there is
15 it swings down just a little bit, not much, to the
16 southeast. What you can tell by that well marked in
17 pink, and the southwest of the southeast, it was an
18 extremely marginal well. There's also further
19 evidence and proof that the Jalmat is indeed pinching
20 out, plus their perforations were not as many as the
21 ones as go west.

22 Q. The wells you have depicted in pink on that
23 exhibit--

24 A. On Exhibit 2?

25 Q. Right. --which ones are currently

1 producing, do you know?

2 A. Right offhand, from the best of my
3 knowledge, the only well producing right now is in the
4 southeast of the southwest. That's the Alpha 21 well.

5 Q. All the other ones are plugged?

6 A. Are plugged or have been produced, yes,
7 sir.

8 Q. On Exhibit 1, you have existing Jalmat
9 acreage dedication colored in pink. Is that all one
10 proration unit, do you know?

11 A. Yes, I do. I believe that the west half of
12 the northwest is the one that I discussed previously
13 that was dedicated to the C. Meyers "B" #4, 1950, and
14 the well was disconnected in February of 1988.

15 In addition, the west half of the southwest
16 is another proration unit, and the specifics of it in
17 current status I'm not aware. And then the third
18 proration unit in there would be the east half of the
19 southwest along with and including the southwest of
20 the southeast. Sort of an "L" shape there.

21 Q. Is the exhibit correct? I see Saba Energy
22 is the operator of that?

23 A. Yes, sir.

24 Q. Actually the east half of the east half?

25 A. Yes, sir.

1 Q. They were contacted?

2 A. Yes, sir.

3 MR. CARR: There's a return receipt in
4 Exhibit 4 from Saba. It was delivered on the 18th of
5 January. It was mailed on the 16th.

6 MR. STOVALL: While we're on the notice
7 provisions, Mr. Arrington, who determined the parties
8 who were entitled to notice?

9 THE WITNESS: I did.

10 MR. STOVALL: How did you make that
11 determination?

12 THE WITNESS: Through study of the deed
13 records in Lea County, New Mexico.

14 MR. CARR: You might note, Mr. Stovall,
15 that originally we did give notice not to Santa Fe
16 Exploration but to Santa Fe Energy, and were notified
17 by Santa Fe Energy that we had picked up the wrong
18 Santa Fe company, and for that reason we continued the
19 hearing for two weeks and supplied additional notice.

20 MR. STOVALL: Mr. Carr, you should know the
21 difference.

22 MR. CARR: I am learning.

23 Q. (BY EXAMINER CATANACH) Mr. Arrington, did
24 you say the #1 and #3 wells, are those currently
25 plugged?

1 A. Oh, my lease?

2 Q. Right.

3 A. No, sir, they're Langlie-Mattix wells.

4 Q. They're still producing?

5 A. Yes, sir.

6 Q. And the Langlie-Mattix in the #4 well has
7 been depleted to the point where the well has been
8 TA'd, is that correct?

9 A. Yes, sir.

10 EXAMINER CATANACH: That's all the
11 questions I have of the witness. Anything else?

12 MR. STOVALL: Nothing further.

13 EXAMINER CATANACH: He may be excused.
14 Anything further in this case?

15 MR. CARR: Nothing further.

16 EXAMINER CATANACH: Case 9853 will be taken
17 under advisement.

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CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
 COUNTY OF SANTA FE)

I, Carla Diane Rodriguez, Certified
 Shorthand Reporter and Notary Public, HEREBY CERTIFY
 that the foregoing transcript of proceedings before
 the Oil Conservation Division was reported by me; that
 I caused my notes to be transcribed under my personal
 supervision; 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 February 24, 1990.

Carla Diane Rodriguez
 CARLA DIANE RODRIGUEZ
 CSR No. 91

My commission expires: May 25, 1991

I do hereby certify that the foregoing
 is a true and accurate transcript of the
 proceedings of the Oil Conservation Division, CSR No. 91, 953,
 heard by the Oil Conservation Division on February 7, 1990.

David R. Catamanch
 Examiner
 Oil Conservation Division

CUMBRE COURT REPORTING
 (505) 984-2244

1 STATE OF NEW MEXICO
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
3 OIL CONSERVATION DIVISION
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7 EXAMINER HEARING
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9 IN THE MATTER OF:
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12 Application of David H. Arrington Case 9853
13 Oil and Gas, Inc., for a non-standard
14 proration unit, Lea County, New Mexico.
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17 **ORIGINAL**
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19 TRANSCRIPT OF PROCEEDINGS
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21 BEFORE: MICHAEL E. STOGNER, EXAMINER
22

23 STATE LAND OFFICE BUILDING

24 SANTA FE, NEW MEXICO

25 January 24, 1989

CUMBRE COURT REPORTING
(505) 984-2244

1 EXAMINER: This hearing will come to Order
2 for Docket No. 3-90. I'm Michael E. Stogner for
3 today's hearing, January 24, 1990. I'll start by
4 calling the continued cases first.

5 First case No. 9853.

6 MR. STOVALL: Application of David H.
7 Arrington Oil and Gas, Inc., for a non-standard gas
8 proration unit, Lea County, New Mexico.

9 Applicant requests this case be continued
10 to the February 7, 1990 Docket.

11 EXAMINER: Case No. 9853 will be so
12 continued.

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20 I do hereby certify that the foregoing is
21 a complete record of the proceedings in
22 the Examiner hearing of Case No. 9853,
heard by me on 24 January 1990.

23 Michael E. Stogner, Examiner
24 Oil Conservation Division
25

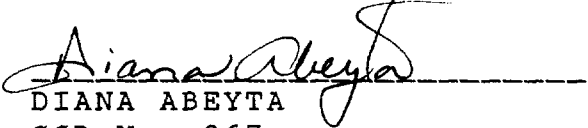
1 CERTIFICATE OF REPORTER

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

6 I, Diana Abeyta, Certified Shorthand
7 Reporter and Notary Public, HEREBY CERTIFY that the
8 foregoing transcript of proceedings before the Oil
9 Conservation Division was reported by me; that I
10 caused my notes to be transcribed under my personal
11 supervision; and that the foregoing is a true and
12 accurate record of the proceedings.

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

17
18 WITNESS MY HAND AND SEAL January 31, 1990.
19

20
21 
22 DIANA ABEYTA
CSR No. 267

23 My commission expires: May 7, 1993
24
25