

1 STATE OF NEW MEXICO
2 ENERGY AND MINERALS DEPARTMENT
3 OIL CONSERVATION DIVISION
4 STATE LAND OFFICE BLDG.
5 SANTA FE, NEW MEXICO

6
7 3 October 1984

8 EXAMINER HEARING

9 IN THE MATTER OF:

10 Application of Texaco, Inc. for a CASE
11 nonstandard proration unit, Lea 8345
12 County, New Mexico.

13 BEFORE: Gilbert P. Quintana, Examiner

14 TRANSCRIPT OF HEARING

15 A P P E A R A N C E S

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18 For the Oil Conservation Division: Jeff Taylor
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I N D E X

GARY KERN

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MR. QUINTANA: This case will start again.

We'll call next Case 8345.

MR. TAYLOR: The application of Texaco, Inc. for a nonstandard proration unit, Lea County, New Mexico.

MR. BATEMAN: Mr. Examiner, I'm Ken Bateman of White, Koch, Kelly and McCarthy, appearing for the applicant.

MR. QUINTANA: Are there any other appearances in this matter?

MR. KERN: My name is Gary Kern and I'll be appearing for the applicant.

MR. BATEMAN: I have one witness and I ask that he be sworn, please.

(Witness sworn.)

GARY KERN,
being called as a witness and being duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. BATEMAN:

Q Mr. Kern, would you state for the record your full name and your business address?

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A My name is Gary Robert Kern and the business address is Post Office Box 3109, Midland, Texas, 79702.

Q And by whom and in what capacity are you employed?

A I'm employed by Texaco, USA, as the Division Operations Engineer.

Q Have you previously testified before the Commission?

A No, I have not.

Q Division. Would you state then briefly what your educational and work experience has been?

A I received a Bachelor of Science degree from Texas A & I University in Kingsville in natural gas engineering in May of 1978.

From June of 1978, at which time I was employed with Texaco, in June of 1978 through July of 1979 I was on the reservoir engineering staff, Midland District. I was monitoring waterflood operations and recommending infill drilling, infill well drilling locations.

From July, 1979 to December of 1980 I was a field engineer in Snyder, Texas, where I recommended workovers and equipment changes in a large waterflood project.

From December of 1980 to May of 1982 I was the Area Engineer, at which point I supervised two field engineers and one engineering assistant.

From May, 1982 to August of 1983 I was the District Operations Engineer, once again, in Midland,

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2 and that was supervising or evaluation of workovers from six
3 area offices.

4 From August, 1983 to the present time
5 I've been employed as the Division Operations Engineer,
6 which capacity I am currently employed and my primary res-
7 sponsibilities are regulatory work and various reporting to
8 the Division Vice President.

8 Q Mr. Kern, are you familiar with what is
9 known as the Skaggs Abo Gas Pool?

10 A Yes, I am.

11 Q And with the well which is the subject of
12 today's application?

13 A Yes, sir. Referring to Exhibit Number
14 One --

15 Q Just a moment.

16 MR. BATEMAN: Mr. Examiner,
17 I'll offer Mr. Kern as an expert witness.

18 MR. QUINTANA: Mr. Kern is so
19 accepted as an expert witness.

20 Q Mr. Kern, would you proceed with what's
21 been marked Exhibit One and describe for the Examiner what
22 Texaco desires from this application today?

23 A Yes. Highlighted in yellow is our -- ac-
24 tually, two leases, one being the C. H. Weir "A" Lease, and
25 the second being the M. B. Weir "B" Lease.

The C. H. Weir "A" Lease comprises the
southern half of the northern half of Section 12, as well as

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the northern half of the southern half of Section 12.

The M. B. Weir "B" Lease comprises the southern half of the southern half of Section 12.

Also indicated are -- in orange dots, are the four existing completions in the Skaggs Abo Gas Pool.

Indicated in the green dot is the proposed recommended drilling location to be completed as a Skaggs Abo gas well.

Q Before you proceed, would you describe briefly what the ownership of the offsetting acreage is?

A Yes. I might add, although it's not highlighted in yellow on here, that Texaco also owns acreage to the east, to the south, and to the west. The only acreage in this area that is not Texaco's is Continental acreage in the northern half of the north half of Section 12.

Q All right, would you proceed, then, with what's been marked Exhibit Two?

A Okay. Exhibit Two shows, once again it's Section 12, and it shows the two existing completions in this section for the Skaggs Abo Gas Pool, that being Well No. 12, as well as Well No. 14, and the proposed well, which is Well No. 11 on the M. B. Weir Lease.

The request for a nonstandard proration unit has been set up more or less by past action and I'd like to briefly summarize that action.

We originally drilled Well No. 12 at a location 2307 feet from the east line and 2307 feet from the

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north line in Unit G of Section 12, Township 20, Range 37 East, of Lea County, New Mexico.

C-101 and C-102 were filed as 7000-foot Skaggs Drinkard oil wells.

At that time we decided to add another 700 feet to catch the Abo in the area. The only -- the closest Skagg production -- I'm sorry. The closest Abo production was those wells that I've previously shown to the south on Exhibit One.

We completed No. 12 as a dual. I might add that we anticipated the well to be an oil, to be oil productive; therefore we amended the C-101 and C-102 to add the additional Abo footage.

We decided at that time, or we completed Well No. 12 in the Skaggs Drinkard and at that time the undesignated Abo.

The Drinkard potentialled for 302 barrels of oil with a GOR of 2000, and the Abo potentialled for 154 barrels of oil and a GOR of 4883.

Texaco then filed a Form C-123 applying for a new field designation for the Abo oil zone.

At this time, upon performing the packer leakage test, communication was detected and after -- after performing the remedial work to repair the communication, the Abo was determined to be a gas zone.

We then refiled the C-123 requesting an extension of the Abo Gas Pool and this was approved.

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The Abc Gas Pool had statewide rules of 160-acre proration units with 660 feet to outer boundary and 330 feet to the nearest quarter quarter section line, which made Well No. 12 an unorthodox location.

Prior to this determination that it was indeed a gas reservoir, we spudded Well No. 14, which is also currently a Skaggs Abo completion. It is an orthodox location and it has a -- with a nonstandard proration unit. This well, when originally permitted and spudded, was a standard -- would have been a standard oil location unit and proration unit.

Afterwards, however, once the Abo was determined to be gas productive, this then became also a non-standard gas proration unit.

The Commission then, in Exhibit Number Three, at a hearing held on December 16th, approved the unorthodox location and the proration unit as outlined in Exhibit Number Two.

Texaco now requests approval of a non-standard proration unit for the M. B. Weir Lease, consisting of the southern half of -- south half of the southern half of Section 12, Township 20 South, Range 37 East, also for a completion in the Skaggs Abo Gas Pool.

The location of the proposed well is 660 feet from the south line and 2079 feet from the north line.

Q Mr. Kern, is the location of Well No. 11 a standard location?

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A Yes, it is a standard location.

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Q Or an orthodox location for a Skaggs Abo
gas well?

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A Yes, it is more than 660 feet -- or it is
660 feet from the outer boundary.

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Q The nonstandard proration unit, then,
would consist of the south half of the south half of Section
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A That is correct.

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MR. BATEMAN: Mr. Examiner, I'd
like to request that you take administrative notice of Case
Number 7761 and the testimony that was introduced in that
case, which, of course, was the case which related to the
approval of the nonstandard proration units for Wells Nos.
12 and 14, shown in Exhibit Two.

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MR. QUINTANA: Administrative
notice will be taken on Case Number 7761.

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Q Mr. Kern, at the time of the hearing on
December 16, 1982, was it brought to the Examiner's atten-
tion that approval of that application would potentially re-
quire an additional nonstandard proration unit for the M. B.
Weir fee lease?

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A That is correct. Mr. Stamets, who was
the examiner at that hearing, asked our witness, Mr. Jeff
Woliver, if this application is approved, what would Texaco
do to protect the rights of the interest owners in the north
half of the north half and the south half of the south half

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of Section 12 in the Abo Gas Pool.

I might add that a well was drilled by a Morris R. Antweil, called the No. 1 Shamu, 990 feet from the north line and 990 feet from the east line of Section 12. This well penetrated the Abo but it was not a completion. They did not complete it in the Abo.

We can -- from that we can assume that it was being nonproductive.

Q Could you identify roughly where that well is on Exhibit Number Two, please?

A Yes, sir, it would be 990 feet out of the corner of the -- of the north and east corners of Section No. 12, upper righthand corner of the Exhibit Two.

Q The C. H. Weir Tidewater Lease?

A Right.

Q All right.

A It is our understanding now that Conoco has drilled a well also in the northern half, 990 feet from the north line and 1980 feet from the east line, and that would be roughly 700 feet from -- well, it would be in the -- it would be in the northern portion of this, once again, of Exhibit Two.

I believe from the scale there you might see where -- where that well is.

MR. QUINTANA: What was that?
What was that location again?

A Okay, it was a Conoco well, Skaggs "B"

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No. 7. That location is 990 feet from the north line and 1980 feet from the east line.

We understand that it is currently completing and that's all the information we really have on that well.

Of course, in answer to the Examiner's concern about the southern half, this well is now what we propose to protect correlative rights and also to further the completion or development of the Skaggs Abo Gas Pool in this area.

Q Assuming the Conoco well is productive in the Skaggs Abo, and Well NO. 11 is as well, that would result in four producers within a section, is that correct?

A That's correct, giving one well per 160 acres.

Q In your opinion would the proposed Well No. 11 effectively drain the area covered by the proposed nonstandard proration unit?

A Yes, as well as can be expected.

Q You have no other options for the addition of acreage -- of acreage for a proration unit, then.

A That is correct, to, you know, to protect correlative rights we feel that a well will be required.

Q In your opinion would approval of the nonstandard proration unit be in the best interest of conservation, protect correlative rights, and prevent waste?

A Yes, I definitely do.

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Q Were Exhibits One through Five prepared by you or under your direction?

A Yes, they were. I might add that Exhibits Number Four and Five are C-101 filings and C-102 filings with the designated zones and depths in the C-101 and the designated proration unit for the C-102.

Q And Well No. 11 indicates that you expect to test the Ellenburger and that would be a wildcat, is that correct?

A That's correct.

MR. BATEMAN: Mr. Examiner, I offer Exhibits One through Five at this time and we have no further direct testimony.

MR. QUINTANA: Exhibits One through Five will taken in -- will be accepted in evidence.

CROSS EXAMINATION

BY MR. TAYLOR:

Q Would you tell me what the land ownership is in this -- in Section 12?

 How it's divided; not necessarily who it is but just how it's divided.

A Well, the C. H. Weir Lease comprises the southern half of the north half of the Section 12, as well as the northern half of the south half of Section 12.

 And then our M. B. Weir "B" Lease comprises the -- the southern half of the south half of Section

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Q Is there separate ownership on those two parcels?

A Yes, I believe there is.

MR. BATEMAN: You mean separate royalty interests?

MR. TAYLOR: Well, yeah, just separate surface, or whatever.

MR. QUINTANA: Are there any further questions of the witness? I have no further questions. The witness may be excused.

Case 8345 will be taken under advisement.

(Hearing concluded.)

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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY
that the foregoing Transcript of Hearing before the Oil Con-
servation Division was reported by me; that the said tran-
script is a full, true, and correct record of the hearing,
prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is
a complete and correct record of the proceedings in
the Examiner's hearing of Case No. 8345
heard by me on OCT. 3 19 84.

Gilbert P. Quintana Examiner
Oil Conservation Division