

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

6 16 January 1985

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Spence Energy Com- CASE  
10 pany for an unorthodox oil well 8452  
11 location, Lea County, New Mexico.

12 BEFORE: Gilbert P. Quintana, Examiner

13 TRANSCRIPT OF HEARING

14 A P P E A R A N C E S

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17 For the Oil Conservation Division: Jeff Taylor  
18 Attorney at Law  
19 Legal Counsel to the Division  
20 State Land Office Bldg.  
Santa Fe, New Mexico 87501

21 For the Applicant: William F. Carr  
22 Attorney at Law  
23 CAMPBELL & BLACK P. A.  
P. O. Box 2208  
24 Santa Fe, New Mexico 87501  
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I N D E X

DANIEL S. NUTTER

Direct Examination by Mr. Carr

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E X H I B I T S

Spence Exhibit One, Plat

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Spence Exhibit Two, Log

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Spence Exhibit Three, Plat

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Spence Exhibit Four, Application

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MR. QUINTANA: Call next Case  
8452.

MR. TAYLOR: The application of  
Spence Energy Company for an unorthodox oil well location,  
Lea County, New Mexico.

MR. CARR: May it please the  
Examiner, my name is William F. Carr with the law firm Camp-  
bell and Black, P. A., Santa Fe, appearing on behalf of  
Spence Energy.

I have one witness, Mr. Daniel  
S. Nutter, who needs to be sworn.

MR. QUINTANA: Are there other  
appearances in this case?

MR. TAYLOR: Mr. Nutter, I'll  
remind you that you've already been sworn and you're still  
under oath.

MR. NUTTER: Okay. I'll accept  
that.

DANIEL S. NUTTER,  
being called as a witness and having been previously sworn  
upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. CARR:

Q Will you state your full name and place

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of residence?

A Dan Nutter. Santa Fe, New Mexico.

Q By whom are you employed and in what capacity?

A I'm a consultant petroleum engineer. I'm employed by Spence Energy Company in this particular case.

Q Have you previously testified before this Commission or one of its Examiners, had your credentials accepted, and made a matter of record?

A I have.

Q Were you qualified at that time as a petroleum engineer?

A Yes, sir.

Q Are you familiar with the application filed in this case on behalf of Spence Energy Company?

A Yes, sir, I am.

Q And are you familiar with the subject area?

A Yes, I am.

MR. CARR: Are the witness' qualifications accepted?

MR. QUINTANA: They are accepted.

Q Will you briefly state what Spence Energy seeks with this application?

A Spence Energy Company seeks approval for an unorthodox location in the South Flying M Pool, the Rough

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2 Pool. The location that we're requesting is the northwest  
3 quarter of the southeast quarter of Section 25, Township 9  
4 South, Range 32 East, Lea County, New Mexico.

5 Q Mr. Nutter, are there special pool rules  
6 for the South Flying M Pennsylvanian Pool?

7 A Yes, there are. The special pool rules  
8 provide for 80-acre spacing with fixed locations. The loca-  
9 tions are required by the rules to be in the northeast quar-  
10 ter or the southwest quarter of the quarter section.

11 This proposed location is in the north-  
12 west quarter of the quarter section, so it's off pattern.

13 Q Would you refer to what has been marked  
14 as Spence Energy Company Exhibit Number One and review that  
15 for Mr. Quintana?

16 A Spence Energy Company Exhibit Number One  
17 is a plat of the general area. The South Flying M Bough  
18 Pool is outlined in yellow on that exhibit, and the location  
19 is shown on the exhibit indicated by a red arrow.

20 Q And this well is within a mile of the  
21 pool boundaries?

22 A This well, this proposed well, is within  
23 660 feet of the pool boundary therefore it would come under  
24 the pool rules.

25 Q Will you now refer to Exhibit Number Two  
and review that for the Examiner?

A Okay. Prior to getting into Exhibit Num-

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2 ber Two I would say that Order No. R-2867, entered October  
3 1, 1965, created the South Flying M Pool--Flying M Pennsyl-  
4 vanian Pool.

5 Order No. R-3228, dated May 6, 1968, es-  
6 tablished the 80-acre spacing in the pool with the fixed lo-  
7 cations.

8 The pool was subsequently extended a num-  
9 ber of times to the present pool boundary, and then in Order  
10 No. R-4969, dated April 1, 1975, the vertical limits of the  
11 pool were contracted from the entire Pennsylvanian formation  
12 to the Bough formations.

13 Now, Exhibit Number Two. Exhibit Number  
14 Two is a log of the Phillips Petroleum Company Marge A Well  
15 No. 1, which is the gas well indicated directly west of the  
16 proposed location. This well is located in the northeast  
17 quarter of the southwest quarter of the same Section 25.

18 The well was drilled to the Mississippian, and on this exhibit we've indicated the tops of the  
19 various formations that were encountered in the Phillips  
20 well.

21 The Clear Fork, the Glorieta's at 4914;  
22 the Clear Fork at 5620; the Abo Shale is at 7228; the Wolf-  
23 camp 8355; and then we get down into the zone of interest in  
24 our particular case today.

25 The Bough "B" zone was encountered in the  
Phillips well at 8934. The Bough "C" zone was encountered  
at 86 -- 8960.

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2                   You'll find that on the log of the well,  
3 Mr. Quintana. That's Exhibit Number Two there. Go down to  
4 about 8900 feet there.

5                   MR. QUINTANA: Okay.

6                   A           Okay. Phillips took a drill stem test in  
7 the interval of the Bough "B" and the Bough "C". The drill  
8 stem test was from 8897 to 8965 feet. The pool was open 1  
9 hour and 35 minutes. Gas came to the surface in four  
10 minutes at 4000 Mcf of gas per day, decreasing to 2000 Mcf  
11 of gas per day at the end of the test.

12                   Oil was to the surface in 28 minutes, re-  
13 versed out 16 barrels of oil and 26 barrels of salt water.  
14 The initial shut-in pressure was 3028 pounds. The final  
15 shut-in pressure was 1026 to 1625. The flowing pressure was  
16 1026 down from 1625; the final shut-in pressure was 2199.

17                   Phillips took this drill stem test, then  
18 drilled on down. They topped the Cisco at 9098; the Canyon  
19 at 9327; the Strawn at 9865; and encountered the Atoka at  
20 10280.

21                   They perforated the well in the Atoka at  
22 10571 to 79 feet and completed the well for 2507 Mcf of gas  
23 per day, with 12.8 barrels of condensate. They completed  
24 the well in the Atoka formation and that was the occasion  
25 for the changing of the vertical limits of the pool from the  
entire Pennsylvanian to the Bough zones--the Bough forma-  
tions.

And then the Commission created another

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pool for this Atoka, but Phillips produced this well to depletion in the Atoka, and they never came back and recompleted in the Bough zones. It was plugged and abandoned in October of -- 3rd of 1980.

So while this well showed a very good show of gas--of oil and gas--in the Bough zones, it was never completed there and there haven't been any other wells completed in the immediate area there.

That's why Spence Energy is talking about this location as the direct offset to a good prospect in the Bough formations.

Q Would you now refer to Spence Exhibit Number Three and review that?

A Another reason for the requested unorthodox location is indicated on Exhibit Number Three.

You'll see that there are some wells to the north. This is the road that comes in from the north. It goes by the Alice Ann No. 1 in Unit A of Section 25. It proceeds then southward and then west to the Alice Ann No. 1-A, and then stops.

We would propose to drill the well at the proposed location, as shown here, in which case we would have to lay 1320 feet of road across the pasture.

Now if we went to the standard location further south, there would be an additional 1320 feet.

Now the surface owner in this particular area is Mrs. Marge McTuffin, and Mrs. McTuffin has expressed

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a keen interest in seeing that the surface damage be held to an absolute minimum in her pasture, and for that reason she has requested that Spence Energy, if possible, obtain the unorthodox location to preserves as much pasture land as possible in this area, and avoid drilling -- laying the extra 1320 feet of road.

Q All right. Will you now refer to Spence Exhibit Number Four?

A Spence Exhibit Number Four is the Federal Form, the Application for a Permit to Drill. You will note that it was submitted to the Bureau of Land Management on December the 25th, 1984, and it was approved by the Bureau of Land Management of December 27th, 1984. They recognize that it is an unorthodox location and stated on the -- stamped on the form when they approved it that it would be subject to like approval by the State.

Q Do you have anything further to add to your testimony?

A No, I haven't.

Q In your opinion will granting this application be in the best interest of conservation, the prevention of waste, and the protection of correlative rights?

A Yes, sir, I believe that it certainly will.

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

A Yes, they were.

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Q And do --

A Except for the -- except for the federal form there.

Q And that's just a form taken from the government files.

A That's correct.

MR. CARR: At this time, we would offer into evidence Spence Exhibits One through Four.

MR. QUINTANA: Exhibits One through Four will be entered into evidence.

MR. CARR: I have nothing further.

MR. QUINTANA: Are there any further questions of Mr. Nutter?

Mr. Nutter, you may be excused. Case 8452 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 Conservation Division was reported by me; that the said transcript 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 correct and true transcript of the hearing held before me of Case No. 8452 heard by me on JAN. 16 1985

Gilbert P. Quintana  
Oil Conservation Division