STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
State Land Office Building
Santa Fe, New Mexico

28 August 1985

EXAMINER HEARING

IN THE MATTER OF:

Application of David Fasken for pool extensions and contractions, Eddy County, New Mexico. CASE 8684

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division: Jeff Taylor
Legal Counsel to the Division
Oil Conservation Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

MR. STOGNER: Call next Case Number 8684.

MR. TAYLOR: The application of David Fasken for pool extensions and contractions, Eddy County, New Mexico.

The applicant has requested that this case be continued.

MR. STOGNER: Case Number 8684 will be so continued to the Examiner's hearing scheduled for September 11th, 1985.

(Hearing concluded.)

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 complete record of the proceedings in the Examiner hearing of Case No. 8684, heard by me on 28 August 1985.

Michael E. Stogner, Examiner
Oil Conservation Division

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SANTA FE, NEW MEXICO

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A P P E A R A N C E S

For the Division: Jeff Taylor
Attorney at Law
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Santa Fe, New Mexico 87501

For the Applicant: Ernest L. Padilla
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Santa Fe, New Mexico

A P P E A R A N C E S

For Cities Service: W. Thomas Kellahin
Attorney at Law
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501

I N D E X

E X H I B I T S

MR. STOGNER: We'll call Case Number 8684.

MR. TAYLOR: The application of David Fasken for pool extensions and contractions, Eddy County, New Mexico.

MR. STOGNER: Call for appearances.

MR. PADILLA: Mr. Examiner, my name is Ernest L. Padilla, Santa Fe, New Mexico, for the applicant in this case.

I have one witness to be sworn.

MR. STOGNER: Call for further appearances.

MR. KELLAHIN: If the Examiner please, I'm Tom Kellahin of Santa Fe, New Mexico, appearing on behalf of Cities Service Oil and Gas Corporation.

MR. STOGNER: Do you have any witnesses, Mr. Kellahin?

MR. KELLAHIN: Not today, Mr. Examiner.

MR. STOGNER: Are there any other appearances?

Will the witness please stand and be sworn?

(Witness sworn.)

JAMES B. HENRY,

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

DIRECT EXAMINATION

BY MR. PADILLA:

Q Mr. Henry, for the record will you please state your name and what your connection to the applicant is?

A My name is James B. Henry. I reside in Midland, Texas. I'm the General Manager of Henry Engineering. Henry Engineering is the organization that operates the David Fasken Properties. We do the drilling, completion, producing and sale of oil and gas from Fasken properties.

Q Mr. Henry, can you -- have you previously testified as a petroleum engineer before the Oil Conservation Division and had your credentials accepted as a matter of record?

A Yes, I have.

Q Are you familiar with the purpose and have you made a study of the case here today?

A Yes, I have.

Q And have you prepared certain exhibits for introduction here?

A Yes.

MR. PADILLA: Mr. Examiner, we tender Mr. Henry as a petroleum engineer.

MR. STOGNER: Mr. Kellahin, any objections?

MR. KELLAHIN: No objection, Mr. Examiner.

MR. PADILLA: Mr. Henry is so qualified.

Q Mr. Henry, would you briefly state the purpose of this hearing today?

A The purpose of the hearing today is to delete certain acreage from the Burton Flat Field, being Section 35 of Township 20 South, Range 27 East, and Lots 1 through 16 of Section 1 of Township 21 South, Range 26 East, Eddy County, New Mexico, and place those sections so deleted from the Burton Flat Field into the adjoining Avalon Field which is contiguous to these tracts on the west boundary.

Q Let me refer you to what we have marked as Exhibit Number One and have you identify that for the examiner.

A Exhibit Number One is a map of the area of Eddy County showing the Avalon Morrow Field, which is

nonprorated, and the Burton Flat Morrow Field, which is prorated.

And on this map I've outlined the Avalon Field in yellow and the Burton Flat Field in green, and it's to be noted that there are four miles, five miles of the boundaries that are common between the Avalon Field and the Burton Flat Field.

I've also shown on here with respect to the acreage in the Burton Flat Field that's inscribed inside the green line, the wells that are still on production have been highlighted with large circles. The orange circles, completely enclosed with orange, are the marginal wells in the Burton Flat Field.

The green hexagons are those wells in the Burton Flat Field that are nonmarginal but are underproduced. There are four of those in widely scattered locations.

The red hexagons that are highlighting wells denote those Burton Flats nonmarginal wells that are overproduced as of the last proration schedule. There are three of those, being the Yates well in Section 19 of 20, 28; the David Fasken Gulf Federal in Section of Township 21 South, Range 26 East; and the Cities Service well in Section 29 of Township 21 South, Range 27 East.

The Avalon Field wells that were produc-

ing in July have also been shown as orange circles and they show the wells currently producing in the Avalon Morrow Field.

Q Mr. Henry, what is the -- over on the righthand side of the Exhibit Number One, there's a section colored in yellow. What is the significance of that?

A The section colored in yellow is a tract of land that was deleted from the Burton Flat Field as of August the 1st, 1985, and was removed from its proration schedule. The nomenclature was amended to delete that.

The red triangle in that section is a well that prior to August the 1st was an overproduced non-marginal well operated by Exxon Corporation.

Q Do you know how that well was taken out of the proration schedule?

A It was taken out on Case Number 8612, dated May the 22nd, 1985, and effective August the 1st, 1985.

Q Do you have any further thing to add concerning Exhibit One?

A I'd like to say that what we're seeking here in deleting the acreage for the four Fasken wells from the Burton Flat Field and placing them in the Avalon Morrow Field is not without precedent since this Exxon well has been so removed.

I might point out also with respect to this exhibit that the area hachured with pink is the David Fasken Avalon working interest unit that is operated by David Fasken and four of the wells are in the Burton Flat Field and five, or six, excuse me, six of them are in the Avalon Morrow Field.

We would like to have all of this working interest unit placed in the Avalon Morrow Field.

Q Please refer to what you have marked as Exhibit Number Two and have you explain what its contents are to the hearing examiner.

A This map is very similar to the -- the notations on it are somewhat similar to the ones on Exhibit One in that the Burton Flat Field is delineated with the green line.

The Burton Flat Field is -- excuse me, the Avalon Morrow Field is delineated with the yellow line again.

In this case, within the Burton Flat boundary the solid orange circles again represent the Morrow wells on the July gas proration schedule.

The green hexagons again represent the nonmarginal, underproduced wells, and the pink hexagons on here again designate the -- the Burton Flat nonmarginal overproduced wells.

Now, in addition I've added some green circles with diagonal hash marks across them. Those represent Morrow dry holes, Morrow wells that have been abandoned, and Morrow wells that have been abandoned as to the Morrow zone and plugged back to other horizons. So they are not active wells nor are they capable of producing from the Morrow without substantial remedial work and recompletions.

The open circles with the zero notation above them are those wells that are on the Burton Flat proration schedule but do not have an allowable assigned to them on the July proration schedule.

Now, the red numbers immediately above these wells show the production from those wells in the month of July.

Over in the Burton -- excuse me, over in the Avalon Morrow Pool that's outlined in yellow, I've tried to show some corresponding data which is the actual production for July from the Avalon Morrow wells that are still producing. There are some wells that are still shown in the Morrow formation that did not produce during July and they're shown as open red circles with a zero production figure above them.

Q Mr. Henry, what's the top allowable for the Burton Flat Pool?

A The top allowable for the Burton Flat

Pool in July was 36,064 MCF per month. These, by the way, are monthly production figures that are shown on that.

Q And how do these wells compare to the, well, the Fasken wells, how do they compare as far as the top allowable is concerned?

A Well, the David Fasken Gulf Federal No. 1 is shut in because it was a nonmaringal, overproduced well. It produced a very small amount of gas during the month of -- of July, and the Yates well in Section 19 of Township 20, 28, was shut in and did not produce.

The overproduced well of Cities Service in Section 29 of Township 21 South, Range 27 East, produced 2379 MCF.

Q What is the purpose of showing the production over those wells for the month of July?

A The purpose of it is to show that the wells nearby and offsetting the acreage we're asking to be deleted are very marginal producers; the wells in Section 26, for instance, immediately north of the area we're asking to be deleted. There are two wells and they're operated by Gulf. The Eddy "FT" State No. 1 produced 2179 MCF for the month, or less than 100 MCF per day. The No. 2 "FT" State in Unit B produced 3988 MCF, or slightly over 100 MCF per day.

In Section 25, both of those wells are

abandoned with respect to the Morrow formation.

In Section 36 of 21, 28, coming clockwise around the acreage we're asking to be deleted, the Cities Service State No. 1 "CU" produced 6397 MCF, slightly over 200 MCF per day.

In Section 6 the Mobil State Com No. 1 in Unit G produced 13,851 MCF for the month of July. The two wells in the south half of Section 6 are abandoned.

The wells in the south 320 acres, the well in the south 320 acres of Section 1 offsetting this acreage to be deleted, operated by Inexco, being their Avalon 1 Federal No. 1, has produced 8885 MCF for the month, and the Mobil Federal 12 Com in Section 12 in the Unit A has only produced 178 MCF for the month.

The other well in Section 12 that had produced from the Morrow has been abandoned.

Q Those wells you've testified about had no production limitation as far as -- only as far as the top allowable is concerned, is that correct?

A That is, as far as I know, that is the case. I do not know what the pipeline take status was.

Q Would you say that generally the Fasken wells are -- as shown in the pink outline are better wells than those wells you have just testified about?

A Yes, they're equal to or higher in pro-

ductivity than any of the wells surrounding them.

Q Have you made a study of the pressures and a comparison of the pressures in those wells that you were trying to delete from the Burton Flat Pool?

A Yes, we have.

Q Let me refer you to what we have marked as Exhibit Number Three and ask you to tell the hearing examiner what that is.

A Mr. Examiner, the prime concern, we think, in this is not the marginal wells in the area we're asking to be deleted, but the top allowable, overproduced well, being the David Fasken Gulf Federal No. 1 in Unit C of Section 1 of Township 21 South, Range 26 East, and on each of these I have a solid curve on this series of decline curves, showing the completion date of the Gulf Federal No. 1 in September, 1982, and it's production history, and down through July, and on there I have affixed to each of these subsequent plats, subsequent plots in this exhibit, the production history of the wells offsetting this area we're asking to be deleted within one mile.

And I'd like to start out with the first one here, the Gulf -- we'll start with the common boundary between the Burton Flat and Avalon Fields at the north edge of the Fasken Avalon working interest unit, referring again to Section 26 of Township 20 South, Range 27 East.

The Gulf "FT" State No. 2 is in Unit B of that section. You'll see that depicted on the first sheet of Exhibit Number One -- excuse me, Exhibit Number Three, along with the Fasken Gulf Federal No. 1.

What I am showing here is that the Gulf Eddy "FT" State No. 2 was completed in early -- or in January of 1978 and had produced for about three and two-thirds years before the David Fasken Gulf Federal No. 1 was completed and placed on production, and we can see no perceptible change in its decline trend with the high withdrawals from the David Fasken Gulf Federal No. 1.

There are some fluctuations in the curve during '82 through '85, and there are not as smooth a trend as earlier, and you'll find that with respect to -- I mention that to apply generally to all these exhibits because of pipeline shutins and also these wells in advanced stages of depletion are loaded with water and have to be unloaded and placed back on production, so there'll be some monthly fluctuations in all Morrow wells as they reach the advanced stages of depletion.

On the Gulf "FT" State No. 1 in the same section, south half of that section, you'll note that it was completed after the David Fasken Gulf Federal No. 1. This well was originally an Atoka producer. It was plugged back to the Morrow in November of 1983, and as you can see from

the production plot, was never a commercial well. The Morrow was drilled on original completion but was not elected to complete in it until the Atoka was depleted and the Morrow is a very, very marginal producer.

In Section -- the next producing well is in Section 36 of Township 20 South, Range 27 East, being the Cities Service State "CU" No. 1, and it's shown on the second sheet of that plot, those series of plots marked Exhibit Three.

You can see that it had been completed earlier than 1977, which is as far back as I carried the data on these plots to establish the production trend in here for five years, approximately five years before the Fasken Gulf Federal No. 1 was completed, and you'll see again there there's been no perceptible change in the decline trend of this well.

Coming on around the section to the Section 6 of Township 21 South, Range 27 East, we find the Mobil Federal State Com No. 1, located in Section 6, Lot 7, and you'll see again here that there was no perceptible change in the established decline of this well with the production from the Gulf Federal No. 1 of David Fasken when it was put on production.

Coming on around to the south half of Section 1, the Inexco Avalon 1 Federal No. 1, you'll see

again here there was a well established decline rate prior to the production from the David Fasken Gulf Federal No. 1 and can see no deteriorating effect from it. There's actually been some increased production here and I do not know if they recompleted other zones or what accounts for tha fluctuation but there's certainly been no adverse affect on that well with respect to the Fasken well's production.

Q Mr. Henry, on that let me ask you, would that sharp decline and production decline in 1977 be indicative of a limited reservoir?

A It would indicate that probably one of the sand stringers in there was depleted and some smaller, tighter sand stringers continued to produce, but the more prolific and permeable ones were depleted in that -- with that precipitous decline; generally the case in the Morrow.

Q Go on with your explanation.

A Okay. The Mobil Federal 12 Com No. 1-A on Unit A of Section 12 of Township 21 South, Range 26 East, has shown some very erratic production over its life. I do not believe that we see anything happening since the completion of the Fasken Gulf Federal No. 1 and it's subject to high rates of production that would indicate any effect that was not already apparent in the trend of that well.

I might also point out that with respect ot this well, the principal Morrow producing sand in this

well is located in a deep channel that's cut into the Atoka formation; deeper than any Morrow channel that I've ever seen in the formation, and it shows a very deep channel, and, in fact, the David Fasken drilling operation in -- commenced in 1980, pursued through 1982, in which we drilled the El Paso No. 5 in Section 1, the El Paso 6 and 7 in Section 2, of Township 21 South, Range 26 East, the two wells in Section 35, Maralo Federal 1 and Maralo Federal 2, in Section 35 of Township 20 South, Range 27 East, and this Gulf Federal No. 1 high capacity well in Section 1 of 21 South, 26 East, were all drilled in search of that deep channel that was found in the Mobil well, and we never found it. We did find, fortunately, some other sands that were productive, but I think that geologically, as you can rarely say in the Morrow, that this well could not have had any effect on the Mobil well because of the Mobil well's unique sand accumulation that it produces from in a deep channel in the underlying Barnett shale.

Q Let's go now to what you have marked Exhibit Four, and I believe I asked you before whether you had prepared production -- not production, but pressure data. This is actually your pressure exhibit, is that correct?

A Yes, it is.

Q Exhibit Three was a production --

A Right.

Q -- exhibit. Would you explain Exhibit Number Four for the Examiner?

A Okay. In Exhibit Number Four I've shown on the lefthand side the shut-in wellhead pressure on that plot on the (not understood) of that we have shown the time, 1977 through 1986, and the shut-in wellhead pressures, and I've used shut-in wellhead pressures because we did not have comparable bottom hole pressures on the offsetting wells of other operators.

Here I have followed the color scheme for Burton Flat in that the Burton Flat wells have their pressure trends depicted in green. The plots have been highlighted with green, and you'll note that many of the wells, for instance, the Mobil Federal 12 Com No. 1 in the lower lefthand corner is a one point deal; the Mobil Federal State Com 6 is a one point deal, because they were exempt on subsequent surveys from wellhead pressure measurements to be reported to the Commission.

We also have coming onto the lower part of that the Monsanto Avalon Hills 1 and 2 and those are nearby wells that are located in Section 7 of Township 21 South, Range 27 East, and we have included those in here as well.

The New Mexico Avalon Federal No. 1 is shown about the middle of the page as the top green line.

The Gulf Eddy "FT" State No. 1 is also shown right under it.

Now, the yellow lines show the pressure trends of two wells, being the David Fasken El Paso No. 6 and El Paso No. 7 that are in the Avalon Morrow Field in the section immediately adjacent to the Burton Flat portion of this field.

Now, the remaining four curves that are highlighted in pink show the wells we're asking to be deleted from this field today and that their acreage assigned to them be deleted from the Burton Flat Field.

The red circles are the initial shut-in wellhead pressures and you will note that with respect to the David Fasken El Paso 5, El Paso -- excuse me, the El Paso No. 5, the Gulf Federal No. 1, and the Maralo Federal No. 1, that they are very similar to the Avalon Field wells in their initial pressures.

The Avalon -- excuse me, the Maralo Federal No. 2 showed a lower initial pressure but it was drilled sometime subsequent to the Maralo Federal No. 1 and could have had some interference from those wells since they're only located 1320 feet apart.

If you'll look at this plot at about the 1550 pound line through the center portion of this thing, you'll see a demarcation line there in which the green pres-

sure points for the Burton Flat Field fall below about 1550 pounds from 1980 onward, in which the drilling was done in the blocks we're asking to be deleted here today.

Above that you have the pink and the yellow plots, pressure plots, which are very closely akin to one another and represent the higher capacity areas in the area we're asking to be deleted; that is we believe most properly within the producing characteristics, area producing characteristics found in the Avalon Morrow Field.

Q Why do the Fasken wells depicted on that chart in yellow, why does the pressure increase at 1983?

A In late 1984 and early 1985 we perforated some additional Morrow zones in those wells that were not opened up on original completion.

Q The initial -- the initial pressure is what is relevant with respect to all of these wells, the yellow wells and the pink wells?

A Those wells and the bottom hole pressures that accompany those indicated to us near virgin pressure with respect to that pressure determination in the Morrow formation here, indicating that these areas have not been drained by -- by the Burton Flat production, nor to any perceptible degree by the Avalon production prior to their drilling.

Q Does that mean there's no pressure com-

munciation between the wells that you are trying to include, Fasken wells that you're trying ot include now in the Avalon Pool and the wells which you have compared in the Burton Flats Pool?

A Yes. We believe this is well established by the pressures and by the production trends. The correlation of producing zones geologically from well logs can be very deceptive in the Morrow. The proof of the communciation is always reflected, in think, in the -- ultimately in the interference between wells and we do not see that interference this time.

Q Do you believe that inclusion of the Fasken wells in Section 35 and Section 1 by the Oil Conservation was arbitrary?

A Well, it was -- they were placed in there on a nomenclature hearing called by the Commission and we did not contest that.

At that time we did not indicate -- did not anticipate the performance of the wells nor that that would ever be a problem.

Frankly, the wells turned out much better than we had suspected they would from their early performance.

Q Well, do you believe now that inclusion of the wells in Sectin 35 and 1 should be in the Burton Flat

Pool?

A No, we believe they should be removed from the Burton Flat Pool and placed in the Avalon Morrow Pool.

Q David Fasken is also asking that the overproduction be cancelled in this one well in Section 1. Would you explain your reasons to the Examiner for that request?

A Well, first of all, we do not believe that the production from that well has affected any of the surrounding wells in the Burton Flat Field and therefore we do not believe that shutting it in at this point is serving any conservation motive in the Burton Flat Field. It's not helping anyone in Burton Flat to recoup any gas that was produced by the Fasken well in its getting it into its overproduced position.

Secondly, we believe that this is denying David Fasken his correlative right to produce that sand and produce it in a timely manner.

And thirdly, we velieve a precedent has been set for this in deleting the overproduced Exxon well in Section 1 of Township 21 South, Range 27 East, from the proration schedule and from the field itself, and we believe that if precendent's been established, then we're not asking for anything that's not an established precedent.

Q Mr. Henry, do you have anything further to add to your testimony?

A No, sir.

MR. PADILLA: Mr. Examiner, we tender -- move the introduction of Exhibits One through Four and pass the witness for cross examination.

MR. STOGNER: Any objection on the exhibits?

MR. KELLAHIN: No objection.

MR. STOGNER: Exhibits One through Four will be admitted in evidence and we'll take a fifteen minute recess.

(Thereupon a recess was taken.)

MR. STOGNER: This hearing will come to order.

Mr. Kellahin, I believe you were ready for cross examination.

MR. KELLAHIN: Thank you, Mr. Examiner.

CROSS EXAMINATION

BY MR. KELLAHIN:

Q Mr. Henry, you've indicated to us that

the Fasken Gulf No. 1 Well, the only nonmarginal, overproduced well in the acreage to be removed from the Burton Flats Pool has been shut in recently because of overproduction?

A Yes.

Q Approximately when was it shut in, sir?

A It was shut in for the month of July, 1984, and the -- has been shut in every since except for a token amount of production and I believe we have a letter from the Commission allowing us to produce an average of about 500 MCF per month to unload the well.

There were three months in there, being January, February, and March of 1985, that the well was produce, again because of a letter from the Commission exempting those wells from shut in for those three months in order to meet a gas demand for El Paso Natural Gas.

Q What is the current total volume of overproduction charged against the well?

A The latest number I have from official Commission records, Mr. Kellahin, is that as of July that was 291,940 MCF overproduced.

Q How long a period of shut in would the Fasken Gulf No. 1 Well have to endure before it was back in balance with the schedule?

A That would depend on the nomination each

month and based on the current nominations we're probably looking at eight months. Eight to nine months.

Q You've directed our attention to the Exxon well on the far edge, right edge of both Exhibits One and Two.

Approximately when was that Exxon well excluded from the Burton Flats, do you recall?

A Exactly on August 1st.

Q Of this year?

A Yes. It appeared on the July proration schedule. It did not appear on the August proration schedule.

Q Have you examined the Commission records with regards to that well to determine how Exxon obtained the deletion of that well from the Burton Flats Pool?

A It was done on Case Number 8612, heard May the 22nd, 1985.

Q And the order number is R --

A I do not have an order number.

Q All right, sir.

What was the -- do you have what --

A I believe it was a nomenclature hearing. Was that an administrative order, I believe?

Q Do you know, sir, what the volume of over production charged against the Exxon well was at the time it

was removed from the pool?

A The only record I have of that is the July proration schedule which gives the May status of the Exxon well as being overproduced by 139,239 MCF.

Q Mr. Faskens have any further development plans for Morrow wells in either Section 1 or Section 35, the two sections we've been discussing?

A The wells, the Faskens Avalon working interest unit is now 100 percent developed with respect to the 320 spacing.

I might point out that there is a Fasken dry hole on the proration unit for the Gulf Federal No. 1, the overproduced well we're speaking of, but it's an abandoned well, really, it produced less than 200,000 MCF before the Gulf Federal was drilled and has been plugged back to the Strawn sand zone and recompleted, but the well was depleted in the Morrow on that same proration unit, which leads me to believe that ultimately we're going to see the Morrow developed on closer spacing than 320 when the gas market improves and I think we're going to find that 320 spacing has not adequately drained all of these Morrow fields on 320-acre spacing.

There's been two -- several instances in the Burton Flat Field where a second well has been drilled on the 320 spacing after the other well has been abandoned.

Q I notice a difference between Exhibits One and Two in the way two wells were identified on the exhibits.

If you'll look in the southeast of the southeast of Section 1, there's the Avalon Federal Well that on the August Exhibit, which is Number Two is circled in orange, the well immediately to the south of that is circled in orange?

When we look at Exhibit Number One neither of those wells are circled. What color should those wells be?

A Which wells are those again? What township are we talking about?

Q I'm looking in Section 1 in the Township 21 South, 26 East, the section that includes your overproduced well.

A Yes.

Q In the very southeast of the southeast there is the Avalon Federal Well circled in orange.

A Yes.

Q On the corresponding Exhibit Number One for the July status, that well is not circled in any color code.

A Oh, that is a drafting error, I believe. Does the Commission's exhibits show it that way?

MR. STOGNER: Yes, both of mine are circled in orange.

Q All right, it's just my copy then. That's all right.

A I apologize. I have an orange pencil if you'd like to --

Q That's all right. I just wanted to make sure that --

A I apologize for that.

Q Mr. Henry, on your production plots, which are Exhibit Number Three, have you attempted to make any production plot comparisons of the other nonmarginal wells that are in the Burton Flats Pool?

A No, sir.

Q And with regards to the pressure plots --

A I did not make that plot because whether a well is produced at capacity in the Burton Flat -- excuse me, produced at capacity in the Avalon Morrow Field or is a marginal well in the Burton Flat Field, the net effect is the same.

The wells are allowed to produce whatever their capacity will sustain.

Q The production plots on Exhibit Number Three, did you make production plots that compare the production of the Fasken Federal No. 1 to the other Fasken

operated wells that are in this working interest unit and offset it?

A No.

Q Would you describe for us briefly, Mr. Henry, when the Commission assigns a pool allowable how that allowable is produced among the various wells in, say, the Burton Flats Pool, when we -- when we assign it in terms of the marginal or nonmarginal wells?

A It's my understanding that the Commission procedure, my understanding of the Commission procedure is that they take the second prior month's actual production for the marginal wells and deduct that from the pool nomination and redistribute the rest of it to the nonmarginal wells.

Q Under that formula for July of '85, using Exhibit Number One, and I think you've told us earlier and I have forgotten, I believe that there were four nonmarginal wells.

A Yes.

Q Which shared --

A That are underproduced and three that are overproduced. There are seven nonmarginal wells.

Q On the July schedule, then, we have seven wells that are nonmarginal.

A Yes.

Q Of those, three were overproduced and four were underproduced.

A Were underproduced, and those four have been consistently underproduced for the last six months.

Q Okay. When we look at the August schedule on Exhibit Number Two --

A That is not the August schedule. It's July.

Q Well, let's -- we've looked at the July schedule and you've told me that we have seven nonmarginal wells.

A Right.

Q Three overproduced, four underproduced.

A Right.

Q When we look at the August exhibit --

A We do not have an August exhibit.

Q I thought the information that identified the wells was taken from the August '85 proration schedule.

A From the July. Both exhibits refer to the July.

Q All right. What's the meaning then on Exhibit Number Two of the entry on the top that says August '85 proration schedule?

A That's what the -- okay, Exhibit One is the -- I beg your pardon, Exhibit One is the August prora-

tion schedule and the status and the -- I did not put the daily production for August on there because I did not have it at that time from the other operators.

The proration schedule production that we have is the July production that was actually shown on the September schedule; the production shown for the second prior month.

There was no change in the underproduced and overproduced wells with respect to the nonmarginal wells between August and September, they were the same.

Q All right, that answers my question.

A Yes. Excuse me, with respect to -- yes, that's correct.

Q So that portion of the pool allowable that is not being consumed by the marginal wells for the Burton Flats has in the last two months been shared or available for being shared among seven nonmarginal wells, three of which, however, have been overproduced.

A That's right, the field has been underproduced with respect to the nominations.

Q All right.

MR. KELLAHIN: Thank you. I have nothing else.

MR. STOGNER: Mr. Padilla?

MR. PADILLA: I don't believe I

have any further questions.

CROSS EXAMINATION

BY MR. STOGNER:

Q Mr. Henry, do you know who the purchaser, or purchasers, are that take gas out of the Avalon?

A Yes, sir. We have Cabot Pipeline, Cities Service Oil Company, El Paso and the Gas Company of New Mexico on some split connections.

We have El Paso Natural and Natural Gas Pipeline Company on split connections.

We have El Paso taking all the connections from some wells.

We have El Paso Natural and Llano on split connections.

We have Gas Company of New Mexico.

We have Llano, Incorporated; Monsanto Company; Natural Gas Pipeline Company of America; Phillips Petroleum Company; Transwestern Pipeline Company.

Q And who are the purchasers in the Burton Flat Pool?

A I'm sorry, I gave you the Burton Flat Pool.

Q Oh.

A I misunderstood your question.

Q Okay. Who is the purchaser, or purchasers, of gas from the Avalon Pool?

A All of our connections operated by David Fasken are connected to El Paso Natural Gas and I'm not sure about the rest.

I do not have a tabulation of the other purchasers in there. There are some other purchasers.

Q Off of the Exhibit Number One I have sixteen producing wells in the Avalon Pool, off the Avalon Pool, is that correct?

A I'm sorry, I didn't understand which exhibit.

Q Exhibit Number One.

A Yes. I have thirteen wells producing on Exhibit One.

Q Okay, of the thirteen producing wells how many does David Fasken operate?

A Six.

Q And your six wells are all in --

A I beg your pardon, I see three more I didn't count. Sixteen wells, right. Sixteen wells in there and I didn't count those in the township to the north, and there are -- we operate, David Fasken operates six of those.

Q Okay, and of those six they are all -- the gas is being purchased by El Paso Natural Gas.

A Yes.

Q Okay. Of the four wells that are in the area in question today, and those are all David Fasken wells, is that right, the two in 35 and the two in Section 1?

A Yes.

Q Okay, who is the purchaser?

A El Paso.

Q Okay, on Exhibit Number Four, which is your shut-in pressure data, the wells that are producing from the Burton Flats Pool, is there any more data for any other wells in the Burton Flat Pool after July of 1983?

A No, sir. The records I have indicate that those wells were exempt from shut-in wellhead pressure because of fluid loading and whatever else may have been the case for those wells but they were exempt from wellhead pressure testing.

Q Who exempted those, the Director or the Supervisor for the District Office?

A I don't know.

Q Do you have a letter saying that they are exempt? How do you know they're exempt?

A The -- I've got PI, Production Information statistical report and that was the annotation on those, or that they were exempt from shut-in wellhead pres-

sures. They showed the pressures down to this date and I'm relying on PI information in this regard.

MR. STOGNER: I have no questions of this witness.

Are there any other questions or Mr. Henry?

MR. PADILLA: I have one, Mr. Examiner.

MR. STOGNER: Mr. Padilla.

REDIRECT EXAMINATION

BY MR. PADILLA:

Q Mr. Henry, during the three month period of high market demand which you've testified to earlier, did El Paso ask you to take gas from Section 35 and Section 1?

A Yes.

Q Were you overproduced at that time?

A Yes, we were overproduced with respect to the Gulf Federal No. 1 only.

MR. STOGNER: Are there any other questions of Mr. Henry?

If not, he may be excused.

Are there any closing statements?

MR. KELLAHIN: Mr. Examiner,

we'd like you to take administrative notice of the prior case that you heard by Mr. Faskens. It was in Case 8463 heard on January 30th, 1985. It's the same wells and the same general subject matter as the hearing today. There is some information in that transcript that I think is important for a decision in this case and we'd like you to take administrative of that transcript and exhibits.

MR. STOGNER: Mr. Padilla, any objections?

MR. PADILLA: We don't have any objections.

MR. STOGNER: We will take administrative notice of that's case 8463, Mr. Kellahin?

MR KELLAHIN: 8463, yes, sir.

MR. STOGNER: Is that everything you have, Mr. Kellahin?

MR. KELLAHIN: I have a closing statement, if the Examiner desires.

MR. STOGNER: Okay, we're ready for closing statements.

Mr. Kellahin, you may go first; Mr. Padilla, you may follow:

MR. KELLAHIN: Mr. Examiner, this is a continuation of Mr. Fasken's efforts to avoid the consequence of having his Fasken Gulf No. 1 Well overpro-

duced in the Burton Flats.

His first efforts in January were to simply terminate prorationing in Burton Flats. That resulted in an adverse order to his position, which is on a de novo docket, which I believe is continued now until October.

Another alternative Mr. Fasken has selected in order to resolve his difficulties with this well is now to delete acreage. My client has no objection to the deletion of the acreage from the Burton Flats so long as the overproduction that's assigned to this well has been repaid to the Burton Flats Pool.

I notice in Mr. Padilla's application, as well as the docket for this case, that nothing until we got to the hearing identified and told us that Mr. Faskens would in fact seek total cancellation of the overproduction.

Be that as it may, that is the portion of his testimony today through Mr. Henry that concerns us greatly.

As you can see from the evidence that Mr. Henry has provided today, that there are seven prorated wells in this pool that are nonmarginal and you can see the significant of each of those wells to each other in producing what is left of the allowable assigned to

the pool after all these marginal wells take their cut. The point is that over the months that the Gulf Well acquired or produced production that resulted in the overproduced status, that is a share of the pool gas that would otherwise have been allocated among the other nonmarginal wells, three of which belong to Cities Service.

Mr. Henry saying that the cancellation of the overproduction would not affect correlative rights is not, in my opinion, absolutely correct, because if this overproduction is forgiven, it is production that would have otherwise been shared with the nonmarginal wells, including Cities Services' well, and that's what concerns my client, is to simply walk away and let him have this well and acreage reassigned to the Avalon Pool without repaying the production is of concern to us. We think that's a bad practice.

If it was done for Exxon, I think that's erroneous; it slipped through under the nomenclature docket and if that, in fact, is what has occurred, we will take action on behalf of our company to have that well brought to hearing to account for the cancellation of their overproduction.

For Mr. Faskens to say simply because Exxon ran the stop sign and didn't get caught, now I can run the same stop sign and it's okay for me, I beg to

differ, I think that's wrong.

Prorationing in New Mexico is very important. It's probably the most important single thing you do as a regulator, to make sure that pools are produced in a way that shares that production in a fair means.

We think that to allow the overproduced well to escape prorationing simply by taking it out of the pool without requiring it to balance with the pool affects our correlative rights adversely, and should the Division then enter an order doing that, we would like you to require the well to be placed in balance before it's allowed to leave the pool.

MR. STOGNER: Mr. Padilla?

MR. PADILLA: Mr. Examiner, in the earlier hearing in Case 8463 we presented testimony and that has been taken under consideration by Mr. Kellahin's request by administrative notice. At that time we presented testimony that the nonmarginal wells in the Burton Flat Pool were better than other wells and that basically the reason they were better was because they were in better parts of the reservoir.

There has never been any testimony regarding, or evidence, regarding any hearing regarding the Burton Flats Pool that this is a homogeneous reservoir.

Mr. Kellahin's argument assumes that we have a homogenous reservoir and that's simply not the case. We showed today that we have no pressure communication between the wells along the, what I would call a new border, in Sections 26, Sections 36, and Section 6, and the wells down to the south of the pink areas delineated by the Fasken properties. Those wells simply are not in pressure communication. The wells that Mr. Fasken operates in the Avalon Pool in Section 35 and Section 1 are simply better.

The definition of correlative rights means that a person or producer ought to have the opportunity to obtain his just and fair and equitable share of production. That's simply all that Mr. Fasken is trying to do in this case.

The fact is that we have higher pressures in Section 35 and Section 1 and there really is no comparison between those wells and the wells adjoining in the Burton Flat Pool to the east.

So to say that, any I'm not trying to throw in Exxon at this point, that got in there or not, it's almost irrelevant to the case that we have presented today, but we have had a precedent established by the deletion of that acreage out of the Burton Flat Pool.

Simply stated, we ahve a different reservoir and it should be given that recognition.

Thank you.

MR. STOGNER: Thank you, Mr. Padilla.

Is there anything further in Case Number 8684 today?

If not, this case will be taken under advisement.

(Hearing concluded.)

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 (Commission) 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 complete record of the proceedings in the Examiner hearing of Case No. 8684, heard by me on 25 Sept. 1985.

Michael E. Stogner, Examiner
Oil Conservation Division

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO

11 September 1985

EXAMINER HEARING

IN THE MATTER OF:

Application of David Fasken for pool extensions and contractions, Eddy County, New Mexico. CASE 8684

BEFORE: Gilbert P. Quintana, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division: Jeff Taylor
Attorney at Law
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

MR. QUINTANA: We'll call next Case 8684, which is the case or the application of David Fasken for pool extensions and contractions, Eddy County, New Mexico.

The applicant has asked that this case be continued to September 25th, 1985.

Case 8684 will be so continued.

(Hearing concluded.)

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 (Commission) 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 complete record of the proceedings in the Examiner hearing of Case No. 8684 heard by me on SEPT. 11 1985.

Gilbert P. Quintana Examiner
Oil Conservation Division