

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

4 December 1985

EXAMINER HEARING

IN THE MATTER OF:

The disposition of cases called in  
which no testimony was presented.

CASE 8751  
8773, 8774,  
8753, 8775,  
8744, 8766

BEFORE: David R. Catanach, 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  
Energy and Minerals Dept.  
Santa Fe, New Mexico 87501

For the Applicant:

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MR. CATANACH: This hearing  
will come to order.

Call next Case 8751.

MR. TAYLOR: Application of  
Merrion Oil and Gas Corporation for an unorthodox oil well  
location, McKinley County, New Mexico.

The applicant has requested  
that this case be dismissed.

MR. CATANACH: Case 8751 is  
dismissed.

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MR. CATANACH: Call next Case  
8773.

MR. TAYLOR: The application of  
Bliss Petroleum, Incorporated, for an unorthodox gas well  
location, Lea County, New Mexico.

The applicant has requested  
that this case be continued.

MR. CATANACH: Case 8773 will  
be continued to the December 18th, 1985, hearing.

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MR. CATANACH: Call next Case  
8774.

MR. TAYLOR: The application of  
Texaco, Incorporated, for compulsory pooling, Chaves County,  
New Mexico.

The applicant has requested  
that this case be dismissed.

MR. CATANACH: Case 8774 will  
be dismissed.

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MR. CATANACH: Call next Case  
8753.

MR. TAYLOR: The application of  
Mallon Oil Company for compulsory pooling, Rio Arriba  
County, New Mexico.

The applicant has requested  
that this case be continued.

MR. CATANACH: Case 8753 will  
be continued to December 18th, 1985, hearing.

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MR. CATANACH: Call next Case  
8775.

MR. TAYLOR: Application of  
Yates Petroleum Corporation for compulsory pooling, Chaves  
County, New Mexico.

The applicant has requested  
that this case be continued.

MR. CATANACH: Case 8775 will  
be continued to the December 18th, 1985, hearing.

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MR. CATANACH: Call next Case  
8744.

MR. TAYLOR: The application of  
Union Texas Petroleum Corporation for downhole commingling,  
Rio Arriba, County, New Mexico.

The applicant has requested  
that this case be continued.

MR. CATANACH: Case 8744 will  
be continued to the December 18th, 1985, hearing.

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MR. CATANACH: Call next Case  
8766.

MR. TAYLOR: The application of  
Reading and Bates Petroleum Corporation for compulsory  
pooling, Rio Arriba County, New Mexico.

MR. CATANACH: This case was  
heard November 21st, 1985.

Are there any additional  
appearances or testimony at this time?

If not, this case will be taken  
under advisement.

(Hearings 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 (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. \_\_\_\_\_, heard by me on Dec. 4, 1985.

David R. Catamb, Examiner  
Oil Conservation Division

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

18 December 1985

DIVISION HEARING

IN THE MATTER OF:

The disposition of cases called  
and without testimony being pre-  
sented.

CASE 8782,  
8746, 8784,  
8785, 8759,  
8753, 8788,  
8789, 8689,  
8773, 8736,  
8735, 8737,  
8775

*Transcript in  
Case 8773*

BEFORE: Michael E. Stogner, 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:

STATE OF NEW MEXICO

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

9 January 1986

EXAMINER HEARING

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IN THE MATTER OF:

The disposition of cases called on  
this docket for which no testimony  
was presented.

CASE  
8782, 8789  
8735, 8737  
8775, 8773

BEFORE: David R. Catanach, 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:

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

22 January 1986

EXAMINER HEARING

IN THE MATTER OF:

The disposition of cases called on  
Docket 3-86 but for which no testi-  
mony was presented.

CASE  
8635, 8782,  
8809, 8810,  
8773, 8811,  
8784, 8812,  
8806, 8689

*Transcript in  
case 8635*

BEFORE: Michael E. Stogner, 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:

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

19 February 1986

EXAMINER HEARING

IN THE MATTER OF:

The disposition of cases called on  
Docket 6-86, 19 February, 1986, in  
which no testimony was presented.

CASE  
8773, 8810,  
8823

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:

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MR. STOGNER: Call next Case Number 8773.

MR. TAYLOR: Application of Bliss Petroleum, Inc., for an unorthodox gas well location, Lea County, New Mexico.

The applicant has requested that this case be continued.

MR. STOGNER: At the applicant's request Case Number 8773 will be continued to the Examiner Hearing scheduled for March 19th, 1986.

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MR. STOGNER: Call next Case Number 8810.

MR. TAYLOR: Application of Bliss Petroleum, Inc., for an exception to the special rules and regulations for the Dean Permo-Penn Pool, Lea County, New Mexico.

Applicant has requested that this case be dismissed.

MR. STOGNER: Case Number 8810 will be dismissed.

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MR. STOGNER: Call next Case Number 8823.

MR. TAYLOR: Application of Nearburg Producing Company for an unorthodox gas well location, Lea County, New Mexico.

The applicant has requested that this case be continued.

MR. STOGNER: Case Number 8823 will be continued to the Examiner Hearing scheduled for March 5th, 1985 -- '86, sorry.

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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 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 Nos. 8773, 8810, 8823  
heard by me on 19 Feb. 19 86.

Michael J. Hayes, Examiner  
Oil Conservation Division

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

19 March 1986

DIVISION HEARING

IN THE MATTER OF:

Disposition of cases called on  
Docket No. 10-86 for which no tes-  
timony was presented.

CASE 8852,  
8853, 8854,  
8839, 8855,  
8773, 8798,  
8806, 8856,  
8857.

*Transcript in  
Case 8852*

BEFORE: David R. Catanach, 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:

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 2 April 1986

7 DIVISION HEARING

8 IN THE MATTER OF:

9 Application of Bliss Petroleum, Inc. CASE  
10 for an unorthodox gas well location, 8773  
11 Lea County, New Mexico.

12 BEFORE: Michael E. Stogner, Examiner  
13  
14

15 TRANSCRIPT OF HEARING  
16  
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18 A P P E A R A N C E S  
19

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

24 For the Applicant: Chad Dickerson  
25 Attorney at Law  
DICKERSON, FISK, & VANDIVER  
Seventh & Mahone/Suite E  
Artesia, New Mexico 88210

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

1  
2 For Marathon: William F. Carr  
3 Attorney at Law  
4 CAMPBELL & BLACK P. A.  
5 P. O. Box 2208  
6 Santa Fe, New Mexico 87501

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MR. STOGNER: Call next Case  
Number 8773.

MR. TAYLOR: The application of  
Bliss Petroleum Corporation for an unorthodox gas well loca-  
tion, Lea County, New Mexico.

MR. STOGNER: Call for appear-  
ances.

MR. CARR: May it please the  
examiner, my name is William F. Carr, with the law firm  
Campbell & Black, P. A., of Santa Fe.

I represent Marathon Oil Com-  
pany in opposition to the application of Bliss.

MR. DICKERSON: Mr. Examiner,  
my name is Chad Dickerson of Artesia, New Mexico, appearing  
late on behalf of the applicant.

I have one witness.

MR. STOGNER: Are there any  
other appearances?

There being none, will all  
witnesses please stand and be sworn.

(Witnesses sworn.)

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PAUL D. BLISS,

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

DIRECT EXAMINATION

BY MR. DICKERSON:

Q Mr. Bliss, will you state your name, your occupation, and where you reside, please?

A My name is Paul D. Bliss. I reside at 1834 North McKinley, Hobbs, New Mexico.

Q And what relationship to the applicant, Bliss Petroleum, Inc., do you have?

A I'm the President and owner of Bliss Petroleum, Inc.

Q Have you previously testified before this Division, Mr. Bliss?

A It's been a number of years ago.

Q Would you very briefly summarize your work and educational background for the examiner?

A Yes. I graduated from Oklahoma A & M, or Oklahoma State University, with a mechanical engineering degree of petroleum option. That was in 1957.

I went to work for Lyon (sic) Oil Company, a division of Monsanto Chemical, and I worked for them

1 as a production and drilling engineer for approximately six  
2 years.

3 I then worked for the British American  
4 Oil Producing Company in the Rocky Mountains for about 3 or  
5 3-1/2 years.

6 Then Gulf took over British American and  
7 I went to work for Gulf at Farmington and then I came to  
8 Hobbs, New Mexico, worked for them until the latter part of  
9 1969, and at that time I left Gulf and went to work for DA &  
10 S Oilwell Servicing in Hobbs as their Vice President and  
11 General Manager of a well servicing corporation.

12 In early 1980 I formed Bliss Petroleum,  
13 Inc., and since that time I've been an independent oil oper-  
14 ator and a drilling and engineering consultant in  
15 southeastern New Mexico and West Texas.

16 Q And, Mr. Bliss, are you familiar with the  
17 facts surrounding the application in Case 8773?

18 A Yes.

19 MR. DICKERSON: Mr. Examiner,  
20 is this witness considered qualified?

21 MR. STOGNER: Are there any  
22 objections?

23 MR. CARR: No objections.

24 MR. STOGNER: Mr. Bliss is so  
25 qualified.

1           Q           Mr. Bliss, will you state the purpose of  
2 your application in this case?

3           A           The purpose of the application is to al-  
4 low my company to re-enter the old South Penrose Skelly Unit  
5 No. 220, or what we are now calling the J. W. Grizzell A No.  
6 1 Well, in order to effectively and economically produce some  
7 oil and gas from the San Andres or shallower pays in this  
8 well.

9                       We purchased this lease from Amoco  
10 approximately 18 months ago. The price that we're receiving  
11 from the gas and certainly now the oil, has made it unecono-  
12 mical to drill a new well in the location. We think that  
13 this re-entry of this well will give us an economical method  
14 of recovering some of our money that we've spent, and it  
15 will also produce some oil and gas reserves that will not be  
16 produced and prevent waste and -- under these circumstances.

17           Q           Mr. Bliss, what is the footage location  
18 of this well that you propose to re-enter?

19           A           It's located 1034 feet from the north  
20 line, 2635 foot from the west line of Section 5, Township 22  
21 South, Range 37 East, in Lea County.

22           Q           Mr. Bliss, based on your anticipated op-  
23 erations in this wellbore, is there a possibility that you  
24 might establish oil production either from the San Andres or  
25 shallower formations?



1 lower. He anticipates testing some shallower zones which he  
2 will testify to.

3 MR. STOGNER: For oil only.

4 A May I interject? We certainly -- the San  
5 Andres production in this area is very limited and there's a  
6 complete water drive. It's a gigantic body of water in the  
7 San Andres. There's no assurance if we go down and work  
8 this well that we're going to make a gas well. We  
9 anticipate gas, a little bit of oil.

10 We also anticipate a bunch of water and  
11 if it's not economical to produce, I'd like to have the  
12 opportunity to come up in the pipe and try somewhere else.

13 MR. STOGNER: All right. Mr.  
14 Dickerson, this, of course, would have to be readvertised --

15 MR. DICKERSON: Uh-huh.

16 MR. STOGNER: -- and the  
17 earliest possible readvertisement would be for the April  
18 30th hearing.

19 I assume that you're prepared  
20 to give testimony at this time?

21 MR. DICKERSON: Yes, sir, we  
22 are.

23 MR. STOGNER: Mr. Dickerson, do  
24 you have any objections -- I mean, I'm sorry, Mr. Carr?

25 MR. CARR: No. No, we don't.

1 MR. STOGNER: We'll go ahead  
2 and hear the case today but we will readvertise this case  
3 again for the April 30th, 1986, hearing. So, Mr. Dickerson,  
4 please continue.

5 Q Mr. Bliss, will you direct the examiner's  
6 attention to what we have marked as Exhibit Number One and  
7 tell him what that plat shows?

8 A Yes. This is a plat of the leasehold and  
9 the oil well area in the area of the J. W. Grizzell lease.  
10 It's approximately two miles southwest of Eunice.

11 We've outlined it in red showing the old  
12 South Penrose Skelly Unit numbers, as well as the location  
13 of what we're calling the J. W. Grizzell A No. 1, which is  
14 right on the east side of the lease.

15 Q Mr. Bliss, refer us to Exhibit Number  
16 Two, which gives us a little better scale, and tell us about  
17 the wells which are located on the southwest quarter of Sec-  
18 tion 5.

19 A Yes. The well in the northeast corner of  
20 -- and I'm going to refer to these with the South Penrose  
21 Skelly Unit numbers, and it's got both the J. W. Grizzell A  
22 No. 2, and that's the old South Penrose Skelly 127, was an  
23 injection well during the pilot injection of this South Pen-  
24 rose Skelly Unit.

25 Now the well to the west is a Grayburg

1 well. It has open hole completion of approximately 200-and  
2 some foot of open hole completion. It is shut-in and been  
3 temporarily abandoned since, I'm not sure, about six or  
4 seven years.

5                   These, all these wells, with the excep-  
6 tion of the 220, were drilled back in the 39, 1939, 1940,  
7 with cable tool rigs and most of them are completed with  
8 open hole.

9                   The J. W. Grizzell A No. 4, which is the  
10 southwest well, the No. 133, was also an injection well.  
11 The South Penrose Skelly 134 to the southeast, which is the  
12 closest well to the 220, it was a dual completed well oper-  
13 ated with Amoco out of the Blinebry-Drinkard zones. It was  
14 a South Penrose Skelly well operated by Gulf in the unit  
15 operation. It has since been temporarily abandoned. It has  
16 bad casing in the well. There is a packer in the zone above  
17 the San Andres. The attempt to get that packer out of the  
18 hole and to go ahead and re-enter the San Andres would be  
19 almost -- well, we don't know what we would run into on it.

20                   But that's generally the condition of the  
21 wells right now.

22                   Now, No. 220 has casing in the hole; has  
23 been setting there since the well was drilled. Gulf Oil in  
24 their completion determined that it was dry or uneconomical  
25 to produce, but in the unitized zone.

1                   Now let me go back and bring you up to  
2 date a little bit on this.

3                   The old South Penrose Skelly Unit Area,  
4 or the unit zone was in the Queen and the Grayburg and it  
5 stopped at the top of the San Andres.

6                   So the San Andres zone was not unitized  
7 in the South Penrose Skelly Unit Area.

8                   So Gulf tested and cored the Yates, the  
9 Seven -- or the Queen portion of this and they determined  
10 that it was not productive. They did not have the right to  
11 produce the San Andres at that time, so they plugged this  
12 well, or they just shut it in temporarily, and that's the  
13 status of it right now.

14                   So this re-entry on our portion of this,  
15 going into the -- using this borehole, will certainly pre-  
16 vent us from having to drill, or help us prevent us having  
17 to drill another hole in this area and the use of the exis-  
18 ting wells is at this time not economical.

19                   Q            It your opinion would it be economical to  
20 drill a new well to produce the reserves that you're seek-  
21 ing?

22                   A            No, we're getting, on this gas price, and  
23 this would give us predominantly -- this is going to be pre-  
24 dominantly gas -- if we come out at all on it, we've got to  
25 make some gas out of this thing. You can't drill it on the

1 oil reserves, and right now we're tied into a contract with  
2 Texaco on a 10-year contract, and we will be getting some-  
3 where in the range of \$1.30 to \$1.40 per mcf. That's before  
4 taxes and that, so it would certainly be uneconomical to go  
5 ahead and drill a new well.

6 Q Mr. Bliss, directing your attention to  
7 the 80 acres immediately to the east of the proposed re-en-  
8 try, who controls that acreage?

9 A That's operated or controlled by Marathon  
10 Oil Company.

11 Q And there are some wells indicated on  
12 that acreage. Would you --

13 A Yes, that's --

14 Q -- briefly discuss those?

15 A There's a well up to the north, which is  
16 the old South Penrose Skelly 126. This was the unit opera-  
17 tion, the South Penrose Skelly Unit operation was terminated  
18 April the 1st, 1984. The No. 126 reverted back, to my know-  
19 ledge, to Marathon, as did a lot of these leases. They went  
20 back to their owners that wanted to keep their wells.

21 The wells down to the south, I believe  
22 one of them's a Blinebry well and another is a Montoya well,  
23 they're deeper production, but there's no shallow production  
24 on the well to the south.

25 The No. 126 is temporarily abandoned. It

1 does have some pipe in the ground. I've physically been out  
2 and looked at their surface equipment. There's none on the  
3 lease and so they've got casing in the hole but it is not  
4 producing.

5 Q In your opinion would it be possible to  
6 re-enter that 126 on Marathon's acreage --

7 A Yes, it would be. It would be possible  
8 and probably economical if -- if -- if you could get in and  
9 make a little gas, a little oil out of it.

10 Q And you're speaking of that acreage pros-  
11 pective in the same zones in which you're interested is this  
12 (not understood)?

13 A That's correct. I'm not -- I'm not real-  
14 ly interested in anything below 4500 feet.

15 Q Mr. Bliss, refer us to Exhibit Number  
16 Three and state what that is.

17 A Exhibit Number Three, it's the order of  
18 the Commission that Gulf Oil Corporation, as operator of the  
19 South Penrose Skelly Unit applied for the unorthodox loca-  
20 tion to drill the South Penrose Skelly Unit No. 220, which  
21 is the well in question there, and they gave the location to  
22 it and it was approved by the Commission by this order giv-  
23 ing them permission to go ahead and drill and test the well  
24 at the location where it is.

25 Q So at that time the South Penrose Skelly

1 Unit was still in effect.

2 A It was in operation. Gulf was the opera-  
3 tor. I will mention at this time that Marathon had an  
4 interest in the South Penrose Skelly Unit, also.

5 Q And the 220 unit well, or what we're  
6 calling the J. W. Grizzell A No. 1, was actually and in fact  
7 drilled at the location approved by this earlier order.

8 A That's correct and it was also stated in  
9 there that no offset operator objected to this unorthodox  
10 location.

11 Q Mr. Bliss, summarize what we've shown on  
12 our Exhibit Number Four.

13 A Exhibit Number Four is a drilling and  
14 completion data on the South Penrose Skelly Unit No. 220, or  
15 the J. J. Grizzell A No. 1.

16 It shows the drill stem tests that they  
17 ran; gives the information where they perforated in the unit  
18 zone. It gives some test -- test data that they ran on swab  
19 testing and perforating and acidizing. They had a drill  
20 stem test on the San Andres from 3800 to 3900 feet. It in-  
21 dicated that there was some gas, a small amount of oil, and  
22 a lot of water.

23 Now they didn't, I'll point out at this  
24 time that they didn't have the -- they couldn't produce this  
25 and so no attempt was made to produce into the San Andres at

1 this time, but they perforated up the hole in the Queen and  
2 in the zone that they were interested in in the waterflood  
3 trying to evaluate whether the pilot waterflood was working,  
4 and they came to the conclusion that it wasn't. This -- and  
5 they also came to the conclusion there was no oil or gas, or  
6 it was not -- it was a dry hole.

7 Q The South Penrose Skelly Unit, then, did  
8 not cover that tested San Andres zone which you're seeking  
9 to test.

10 A No.

11 Q Identify Exhibit Number Five, Mr. Bliss.

12 A Exhibit Number Five, of course, is the  
13 Form -- the Oil and Gas Commission Form C-105 and also the  
14 location plat, the survey plat. It also gives a daily drill-  
15 ling and completion data one what they did on the well.  
16 This was filed and they put down under the production, it  
17 says it did not. They shut the well in. So this is the  
18 State form showing the deposition of the well.

19 Q In the event that you are unsuccessful in  
20 establishin production from the San Andres, what zones above  
21 that do you anticipate the possiblity of producing?

22 A Well, I'd come up from the bottom up and  
23 I'd perforate the Penrose zone and the Queen and test it and  
24 see if we could get a little gas, a little oil, out of it.  
25 If -- if that's not economical, then we'd come up to the

1 Seven Rivers zone. As a last chance we would have the  
2 Yates. If we get past that point I expect we spent all of  
3 our money.

4 Q Mr. Bliss, Exhibit Number Six, what is  
5 that?

6 A Exhibit Number Six is a -- some data on  
7 the working interest owners meeting, or an agenda showing  
8 also a list of the various meetings and various functions  
9 that they had during the operation of South Penrose Skelly  
10 Unit. It goes back and starts out with the early 1960 when  
11 they started operating this unit, or trying to form it, ex-  
12 cuse me, and then back in the 1965, when the effective date  
13 of the unit. It shows the operators meetings and a brief  
14 summary of that, up to the point when they drilled the 220  
15 Well and then it also mentions some of the problems or some  
16 of the deals where they recommend terminating the unit, but  
17 they also make a recommendation of not producing the 220  
18 Well.

19 Q Was the unit terminated, to your  
20 knowledge, because the waterflood testing program was  
21 unsuccessful?

22 A That was primarily the reason for it.  
23 Certainly they quit injecting water back in as early as  
24 1975. The Gulf Oil, and there was a number of working in-  
25 terest owners in the unit, and it was just getting to the

1 point where it was not economical to operate any more and  
2 they terminated it so that the wells could be plugged, or  
3 some of the wells could be plugged, and then they reversed  
4 back to the original owners of the lease or people, such as  
5 myself, where I bought into some of these leases down there  
6 and I could come back in, being independent, and maybe re-  
7 cover some of the oil and gas that wasn't being recovered.

8           So that was -- but mainly the waterflood  
9 didn't -- they didn't think it was going to be successful.

10           Now they injected in the range of some-  
11 thing like almost 5,000,000 barrels of water into those six  
12 wells. That's another reason that I'm a little reluctant to  
13 go to some of the wells to the west, those injection wells  
14 and those wells to the west. Certainly we don't know --  
15 I'll interject another thing. I was the engineer, the pro-  
16 duction engineer in 1966 to '69 that was looking after this  
17 waterflood, and we didn't know where that water was going,  
18 and I'm afraid the water was going down into the San Andres  
19 or into the -- through these old completions and the old ce-  
20 ment jobs, we never really knew where that water was going,  
21 so if you're going over and trying to recomplete wells that  
22 you've had a number of barrels of water injected into, it  
23 makes it skeptical of whether or not you can get anything  
24 out of it or not.

25           So this well over to the east there has

1 got a good pipe job; it's got a good cement job on it, and  
2 it will give us a chance to recover some oil and gas that  
3 won't be recovered otherwise.

4 Q Mr. Bliss, describe for us what is shown  
5 -- or what Exhibit Number Seven is.

6 A Exhibit Number Seven is a letter from a  
7 Mr. Turner with the Gulf Oil to the working interest owners  
8 on the termination of the unit. This was where it had be-  
9 come effective that we were -- had received almost enough  
10 people to vote to terminate the unit.

11 It also shows that, on the second page,  
12 that Marathon Oil Company had a representative at this meet-  
13 ing, I believe this was the one, let me see, I don't see --  
14 yes, no, it shows that they voted -- it shows that Marathon  
15 voted to terminate the unit.

16 So that's what mostly this shows.

17 Q In fact only one party who responded to  
18 the ballot voted not to terminate the unit, it appears.

19 A At that time, yes.

20 Q What is Exhibit Number Eight?

21 A Exhibit Number Eight is a letter from the  
22 BLM which agrees to the termination of the South Penrose  
23 Skelly Unit effective 4-1-84.

24 Q And Exhibit Number Nine?

25 A And Exhibit Number Nine is a letter from

1 the State whereas they approved the termination of the unit,  
2 also.

3 Q Now, upon the termination of the unit,  
4 was that the time you developed interest in the unit?

5 A No, I had previously bought portions of  
6 the unit out. I had bought Exxon's portion down in Section  
7 9 and I'd bought some from Mobil and I bought some from Get-  
8 ty prior to the termination of the unit, and I had made an  
9 offer to buy Amoco's out on this particular quarter section.  
10 They -- our effective date of the purchase from Amoco was  
11 August the 1st, 1984, which was after the termination, so I  
12 had the interest in it before the termination and then after  
13 and up to this point.

14 Q And Exhibit Number Ten?

15 A Exhibit Number Ten is an opinion of title  
16 to the oil and gas lease on Section 5, that quarter --  
17 southwest quarter of Section 5. This is a title opinion  
18 prepared by -- by Losee, Carson, and Dickerson, and particu-  
19 larly Chad Dickerson, showing the ownership and the title  
20 opinion to that lease.

21 Q And what is Exhibit Number Eleven?

22 A Exhibit Number Eleven is an assignment  
23 and bill of sale, whereas Amoco Production Company assigned  
24 or transferred their interest to Bliss Petroleum and the ef-  
25 fective date of the assignment was August 1st, 1984.



1    pened in the last month or six weeks, I went back to them  
2    and talked to them and I reduced my offer to \$18,000 and  
3    Martha Vogel also contacted me and asked me if I would be  
4    willing to purchase the lease without the wellbore, just the  
5    oil and gas rights.

6                    I made a study of this and thought about  
7    it and there is no way that I can see that under the gas  
8    prices and oil prices today, whereas we can drill a 4000  
9    foot hole with these type of reserves and expected produc-  
10   tion from this, and be economical. So I said the only way  
11   that I could purchase this lease was offer them \$18,000 and  
12   I'd need the wellbore to go into.

13                   And they -- I talked to Carl -- I can't  
14   recall his last name, Monday, and he advised me that they  
15   would not sell their lease and that they would appear at the  
16   hearing today and oppose the proposal

17                   Q            Is it your proposal then, that in addi-  
18   tion to not being economical to drill a new well upon your  
19   acreage in the southwest quarter it would also not be econo-  
20   mical either for you or for Marathon to drill a new well to  
21   test the San Andres and above in the west half of the south-  
22   east quarter?

23                   A            In my opinion, no.

24                   Q            And so is it further your opinion that  
25   whatever production you might successfully establish from

1 the re-entry of the proposed J. W. Grizzell Well would con-  
2 sist entirely of gas that would not -- or oil that would not  
3 otherwise be recoverable?

4 A Yes, that's my opinion at this time, yes.

5 Q Q And in your opinion, Mr. Bliss,  
6 would the recovery of that oil or gas thereby prevent waste?

7 A Certainly. I'm in the opinion that any  
8 oil and gas you could recover from these little shallow  
9 wells that have been there over a since 1940, early forties,  
10 certainly is going to prevent waste.

11 Q Mr. Bliss, to your knowledge is the San  
12 Andres gas production in that area prorated?

13 A I don't believe that it is. To my know-  
14 ledge it may be there's a South Eunice San Andres Pool  
15 there, but I don't believe it's a San Andres gas pool. I  
16 think it's in the oil.

17 Now there may be up the north several  
18 miles some San Andres gas but right now I can't think of any  
19 in this area.

20 Q Were Exhibits One through Twelve compiled  
21 by you or under your direction and supervision?

22 A Yes.

23 MR. DICKERSON: Mr. Examiner,  
24 at this time move admission of Bliss Exhibits One through  
25 Twelve.

1 MR. STOGNER: Are there any ob-  
2 jections?

3 MR. CARR: No objections.

4 MR. STOGNER: Exhibits One  
5 through Twelve will be admitted into evidence.

6 Q I have one further question. In the  
7 event, Mr. Bliss, any order entered by this Division in this  
8 proceeding imposes a penalty upon you by reason of the  
9 closeness of this re-entry well to the offsetting acreage,  
10 what effect will such penalty have on the economics of your  
11 venture?

12 A Certainly if the penalty is too severe  
13 and you're talking about very marginal type production oper-  
14 ation, if it's too severe, the only thing -- the only alter-  
15 native we'll have is to plug the well, and I -- I think this  
16 would be -- I don't think this is too high. I think the oil  
17 and gas should be recovered economically if it can possibly  
18 be done.

19 MR. DICKERSON: I have no fur-  
20 ther questions of Mr. Bliss.

21 MR. STOGNER: Thank you, Mr.  
22 Dickerson.

23 We'll take a ten minute recess  
24 at this time.

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(Thereupon a recess was taken.)

MR. STOGNER: Mr. Carr, your witness.

CROSS EXAMINATION

BY MR. CARR:

Q As I understand it, you also own several other wellbores in the southwest quarter of Section 5, is that correct?

A That's correct.

Q And you're electing to use the wellbore that's the subject of today's hearing, and if I understand your testimony, it's because of the quality of those other wellbores and the time during -- at which they were drilled.

A It's the condition of the wellbores at this -- at the time, yes.

Q Is there any geological or engineering reason that would dictate drilling at this location as opposed to, say, a standard location?

A No, predominantly the San Andres, top of the San Andres is almost flat in that area. You're on, right on top of a shelf area.

In the whole South Penrose Skelly Unit the top of the San Andres probably won't vary 30 to 35 foot.

1 There's not really that much difference in it.

2 Q So just to understand you, the reason  
3 you're locating at this particular point is the availability  
4 of that wellbore and the quality of that wellbore.

5 A That's correct, and the economics of  
6 being able to put it on production and get a payout on what  
7 we spend.

8 Q And even though you have other wellbores  
9 in that section that are at standard locations, there are  
10 problems with those individual wellbores that have caused  
11 you to select this particular one.

12 A That's correct.

13 Q Do you have a contract for the gas on  
14 this acreage?

15 A Yes, that's correct.

16 Q Who?

17 A It was Getty but it's Texaco now.

18 Q Does the date of the drilling of the sub-  
19 ject well as opposed to the other wells on the unit give you  
20 a better gas price for the gas sold from this well?

21 I gather that was not a factor in making  
22 your decision.

23 A No, I've been -- I don't really know what  
24 the effect of when this well was drilled; I know the con-  
25 tract was renegotiated in 1983 for a 10-year term, and my

1 assumption is that I'll get the same price depending upon  
2 the liquids and the residue as I get from the other wells.

3 Now, also, I am not selling any gas from  
4 the shallow production at this time and I'm only selling gas  
5 from the Drinkard, which has a little richer liquids to it.

6 Q Now this well was originally drilled --  
7 was it an injection well or a producing well when it was or-  
8 iginally drilled?

9 A It was neither.

10 Q Okay.

11 A It was drilled to evaluate the waterflood  
12 on the pilot waterflood area. It has never produced.

13 Q Was it ever used for injection?

14 A No.

15 Q You acquired from, I guess, Amoco the  
16 rights to this -- this well?

17 A That's correct.

18 Q And you acquired the rights down to 4500  
19 feet.

20 A I'll clarify that a little bit. Our  
21 shallow production, I have a particular lease down to 4000  
22 foot and then I have another lease from 4000 to the base of  
23 the Drinkard.

24 Q Now the well is located 5 feet off the  
25 common lease line between Marathon's property and that which

1 you now have your interest in.

2 A That's correct.

3 Q When this well was originally drilled, I  
4 believe it was drilled by Gulf?

5 A That's correct.

6 Q Do you know whether or not the well was  
7 surveyed at the time it was drilled?

8 A I know they turned in a deviation survey  
9 to the State but I don't --

10 Q And do you know what that showed?

11 A Well, no, I'm not familiar with that.

12 Q Would you be willing to resurvey this  
13 well to establish that if the producing interval would in  
14 fact be on your property and not on the Marathon tract?

15 A Well, I -- I don't know. I hadn't even  
16 thought about it.

17 MR. DICKERSON: You would be  
18 willing to do it if the Division required you or requested  
19 you to do it.

20 A If the Division required it, yes.

21 Q Now, Mr. Bliss, if I look at your Exhibit  
22 Number Two, it appears to me that there are several other  
23 wells in the area which you operate.

24 If we go to the southeast of the northeast  
25 of Section 5, there's a well there that underneath it says

1 Christmas Cowden. Did you drill that well?

2 A No.

3 Q That was also a re-entry?

4 A Yes, that was a well in the South Penrose  
5 Skelly Unit.

6 Q And what interval is it producing from?  
7 What formation?

8 A It's producing from the Yates, Seven  
9 Rivers, and Queen. It's in the Eumont Yates-Seven Rivers-  
10 Queen Field.

11 Q At what rate is that producing? Is that  
12 a marginal well?

13 A It's about 3 barrels of oil a day and  
14 about 150 mcf gas a day.

15 Q Now, if we go over directly to the east  
16 of your proposed location to the southwest of Section 4, I  
17 see your name there. Are you operating any wells in the  
18 southwest of 4?

19 A This has never been recompleted and I do  
20 have a hole in the ground there.

21 Q Is it in the southwest of the southwest?

22 A That's the Clifton lease you're referring  
23 to?

24 Q Yes, sir.

25 A Yes.

1

2 Q And that is not producing at this time?

3 A No.

4 Q Do you operate any other wells in this  
5 immediate area, in the area that was originally within the  
6 South Penrose Skelly Unit?

7 A Yes, in the southwest of the northeast of  
8 Section 6 is the E. N. Grizzell that I'm producing, the E.  
9 N. Grizzell No. 1.

10 Q And what formation?

11 A It's in the -- it's in the Penrose Queen.

12 Q Is that San Andres or is that --

13 A No, it's above the San Andres. It's  
14 above the Grayburg.

15 Q And was that also a re-entry?

16 A Yes. That was a well that was producing  
17 when I took it over from the South Penrose Skelly Unit.

18 Q Now on this subject well, do you have any  
19 information on it other than -- do you log available to you  
20 of the well? You do have that, do you not?

21 A Yes, I do have logs.

22 Q Do you have a complete well file on that  
23 well?

24 A Yes.

25 Q And you testified, I believe, already

1 that you don't have the geologic or engineering data that  
2 would indicate to you, other than just the log, that -- the  
3 likelihood of commercial production?

4 A I have the data that Gulf -- on the Exhi-  
5 bit Four, which is in the well file and it's also been filed  
6 with the --

7 Q If we look at the well, the Christmas  
8 Cowden Well, being in the Yates Seven Rivers, is that in a  
9 prorated pool?

10 A Yes. Yes.

11 Q And then if we go to the other well, the  
12 Penrose well which you operate over in Section 6, is that  
13 prorated?

14 A Yes, it's in the -- its in the Penrose-  
15 Skelly-Grayburg Oil Pool.

16 Q So when you attempt to establish produc-  
17 tion in the subject well you may or may not be in a prorated  
18 pool, depending on what interval.

19 A Uh-huh.

20 Q If you get in the Eumont, there are also  
21 Eumont oil wells, isn't that correct?

22 A That's correct.

23 Q So for that reason you need to expand the  
24 application in case that's what you get?

25 A That's correct.

1           Q           Now, based on information you have avail-  
2 able to you on this well, and your experience in the area,  
3 are you aware of anything that would indicate to you that a  
4 well in the San Andres or in the Yates-Seven Rivers-Queen  
5 would drain in a pattern other than a radial pattern?

6           A           I have nothing to show whether it would  
7 or would not.

8                        If you're asking for my opinion, it will  
9 not.

10          Q           And if it does not, how would you antici-  
11 pate it would drain?

12          A           There's no way of knowing because of the  
13 lateral extent of the permeability zones in the -- in those  
14 pools, but you can argue for years and years whether or not  
15 this will drain 40-acre spacing.

16          Q           Or if it will drain 160-acre spacing,  
17 say.

18          A           That's correct.

19          Q           The spacing for the area for gas is, how-  
20 ever, 160 acres.

21          A           That's correct, so it would be -- it is  
22 in the Yates and the Eumont in those other gas pools. I'm  
23 not familiar about the San Andres gas.

24          Q           Okay. Now when Gulf, before Gulf, before  
25 you acquired the well, the well was plugged and abandoned,

1 was it not?

2 A This -- the one --

3 Q The subject well.

4 A It's been temporarily abandoned. It's  
5 just left like it was with the pipe in there.

6 Q If I look at your Exhibit Number Four,  
7 which is a schematic of the wellbore, I don't see any plugs  
8 depicted on this schematic. Are there plugs in the well at  
9 this date?

10 A No. Are you talking about covering the  
11 perforated zones?

12 Q Yes, sir.

13 A No. They were squeezed off and left that  
14 way.

15 Q But there are no plugs in the wellbore at  
16 this time.

17 A Not to my knowledge.

18 Q This depicts the well as it presently  
19 stands.

20 A That's right.

21 MR. CARR: I have no further  
22 questions.

23 MR. STOGNER: Thank you, Mr.  
24 Carr.

25 Mr. Dickerson, any redirect?

1 MR. DICKERSON: No, Mr. Exa-  
2 miner.

3  
4 CROSS EXAMINATION

5 BY MR. STOGNER:

6 Q Mr. Bliss, when we drill a well, can we  
7 assume that well to be vertical, true vertical?

8 A In my opinion, no.

9 Q Okay. And this well being 5-foot off the  
10 lease line, it wouldn't take much for it to be over there on  
11 the Marathon lease, would it?

12 A On the alternative, it wouldn't take much  
13 to have it go the other direction, also.

14 Q True. So we're about 50/50.

15 A That's correct, and the Commission re-  
16 quired deviation surveys taken and I'm, I don't have the  
17 well file here with me but I'm sure that there was a devia-  
18 tion survey taken at that time, and the standard -- on the  
19 standard drilling application this has to take place.

20 Q Would it take less than 5 percent for  
21 this well to be over in the Marathon lease?

22 A I think, I don't know whether it would  
23 take less than 5 percent or not. It may be more than 5 per-  
24 cent.

25 Q To go over 5 feet?

1           A           5 feet, yes. No, I'd have to take my  
2 trigonometry real quick.

3                       Probably, probably would.

4           Q           Okay.

5           A           But, again, we still don't know which  
6 direction it goes.

7           Q           That's true. If this well was on the  
8 Marathon lease, what do you propose that this well -- would  
9 have to be done to this well?

10          A           Well, there is nothing you can do to it  
11 other than plug it.

12          Q           Okay. How about if Marathon wanted to  
13 produce it?

14          A           They wouldn't be able to because I  
15 wouldn't be able to sell the well to them; wouldn't be able  
16 to sell it to them.

17                       But you see, one of the main things --

18          Q           How come you wouldn't want to sell the  
19 well to them?

20          A           Well, I may want to use it for an injec-  
21 tion well, a disposal well.

22          Q           But if they wanted to produce out of it  
23 if it was over there, you wouldn't want to sell it to them.

24          A           Well, we might have to work out some co-  
25 operative agreement on the thing.

1           Q           In looking at the data on this particular  
2 well when it was drilled, and you say it did not have any  
3 production by Gulf, what were some of the tests?

4           A           Well, if you'll refer to Exhibit Four,  
5 they run a drill stem test, number one, in the Queen sec-  
6 tion, up in the Queen and they got drilling mud and very  
7 little of anything; no -- no pressures or nothing on it.  
8 That was from 3440 to 3600.

9                       They also, a drill stem test from 3600 to  
10 3800. They got some gas to the surface, too small to meas-  
11 ure.

12                      They recovered 300 foot of mud with a  
13 trace of oil and gas; 750 foot of sulphur water slightly  
14 gas-cut, and that's on the interval above the San Andres.

15                      The interval from 3800 to 3900, which  
16 would be the San Andres, they got some sulphur water to sur-  
17 face in 24 minutes and it flowed some oil and a small amount  
18 of gas. This points out to the fact that there's a gigantic  
19 body of water in there and if this thing is not completed  
20 correctly, all you're going to get is water out of it.

21                      Now, then, they perforated several inter-  
22 vals to test it. They swabbed it. They've got some gas  
23 flow; also a small amount of oil. They perforated in sever-  
24 al intervals and I think they concluded finally that a --  
25 from following their tracts on this thing, that they must

1 have had a channel job down into the San Andres because they  
2 went ahead and squeezed off some of the perforated intervals  
3 and then they reperforated it and swabbed it dry, which --  
4 in the Queen zone, and then they came to the conclusion  
5 there was nothing there; that possibly the gas and the water  
6 was coming from the San Andres zone.

7 So they just squeezed it off and shut it  
8 in, and they concluded that there was nothing there.

9 Q If production was encountered, whether it  
10 be gas or oil, would some of that production have to come  
11 off the Marathon lease?

12 A Yes, I'm sure it would.

13 Q Would you propose some sort of a penalty  
14 on this production?

15 A I don't think you can rule otherwise on a  
16 penalty.

17 Q All right.

18 A I wouldn't -- if I was on the other side  
19 in Marathon, I would want you to.

20 Certainly on the basis of my knowledge of  
21 drainage and things like that, yes.

22 The only thing that I'm asking you to do  
23 is don't penalize me too much so I can't do anything with  
24 it.

25 The whole thing boils down to economics

1 on this thing. You're not going to get -- you're not going  
2 to get a great, big bonanza without water. You're going to  
3 have to dispose of the water. You're going to have to have  
4 some place to put the water. It's going to cost you money  
5 to do that.

6 The gas price is low. Certainly the oil  
7 price has gone to pot. But that -- I'm not basing my econo-  
8 mics on oil, mostly gas.

9 But if I'm penalized to where I can't  
10 produce reasonable enough to cover my money spent on this  
11 thing, then I'm going to shut it in and that gas and oil is  
12 not going to be recovered, period.

13 MR. STOGNER: Are there any  
14 other questions of Mr. Bliss?

15 MR. DICKERSON: I have one.

16  
17 REDIRECT EXAMINATION

18 BY MR. DICKERSON:

19 Q Mr. Bliss, how much money, approximately,  
20 has your corporation spent in this endeavor?

21 A The -- my corporation, myself, and the  
22 working interest owners, we spent in excess of \$250,000 on  
23 this lease.

24 Now, that apportioned to the upper por-  
25 tion of it, would put it in the range of probably \$100,000,

1 or \$120,000 if you would allocate so much to this shallow  
2 zone, and we haven't been able to put these wells onto pro-  
3 duction yet.

4 We're producing the lower zone and making  
5 a little money there, but we're in the range of \$125,000 on  
6 the J. W. Grizzell A upper lease.

7 MR. DICKERSON: I have nothing  
8 further.

9 MR. STOGNER: Thank you, Mr.  
10 Dickerson.

11 Are there any other questions  
12 of Mr. Bliss?

13 Mr. Bliss, you may step down at  
14 this time. I would ask that you stick around; I may recall  
15 you for a question of clarification.

16  
17 MARTHA VOGEL,  
18 being called as a witness and beng duly sworn upon her oath,  
19 testified as follows, to-wit:

20  
21 DIRECT EXAMINATION

22 BY MR. CARR:

23 A My name is Martha Vogel and I live in  
24 Midland, Texas.

25 Q Ms. Vogel, by whom are you employed and

1 in what capacity?

2 A I'm employed by Marathon Oil Company as  
3 an Associate Reservoir Engineer.

4 Q Have you previously testified before this  
5 Commission or the Division?

6 A No, I have not.

7 Q Would you review for Mr. Stogner your  
8 educational background and summarize your work experience?

9 A I graduated from Louisiana State Univer-  
10 sity in May of 1982 with a Bachelor of Science in petroleum  
11 engineering and I have -- began employment with Marathon Oil  
12 Company in August of 1982 and have since been employed by  
13 them.

14 Q In your employment with Marathon does  
15 your area of responsibility include that portion of south-  
16 eastern New Mexico which is the subject of today's hearing?

17 A It has for the past two and a half years.

18 Q Are you familiar with the application  
19 filed in this case on behalf of Mr. Bliss?

20 A Yes, I am.

21 Q And are you familiar with the proposed  
22 unorthodox well location?

23 A Yes.

24 MR. CARR: We tender Ms. Vogel  
25 as an expert witness in reservoir engineering.

1 MR. STOGNER: Any objections?

2 MR. DICKERSON: No objections.

3 MR. STOGNER: Ms. Vogel is so  
4 qualified.

5 Q Ms. Vogel, would you briefly state what  
6 Marathon seeks in this case today?

7 A Marathon seeks the imposition of an ef-  
8 fective production limitation factor.

9 Q Are you familiar with the well spacing  
10 and location requirements in this general area?

11 A Yes, I am.

12 Q Is the area governed by statewide rules?

13 A Yes. If the well is completed as an oil  
14 well it would -- had a spacing unit of 40 acres with 330  
15 setbacks.

16 If it is completed as a gas well it  
17 should be comprises of 160-acre spacing unit and have 660  
18 setbacks.

19 Q Now whether this is an oil well or a gas  
20 well, how close is it to Marathon's lease line?

21 A It is 99 percent closer than it should  
22 be.

23 Q And what percentage encroachment is this  
24 on the Marathon lease? What percentage too close is it to  
25 your line?

1           A           99 percent.

2           Q           Have you prepared certain exhibits for  
3 introduction in this case?

4           A           Yes, I have.

5           Q           Would you refer to what's been marked for  
6 identification as Marathon Exhibit Number One, identify  
7 this, and review the information on this exhibit for Mr.  
8 Stogner?

9           A           Exhibit Number One is comprised of nine  
10 quarter sections.

11                       The west half of the southeast quarter of  
12 Section 5 is Marathon's 80-acre Grizzell lease on which  
13 there are three wells.

14                       Five feet from the western line of this  
15 lease is a South Penrose Skelly Unit Well No. 220, which is  
16 the subject well in this case and in Unit H of Section 5 is  
17 the Christmas Cowden Well No. 1, which to my knowledge is  
18 the only other Eumont well in this area on this plat.

19                       Also on this map are two 160-acre cir-  
20 cles. One has its center as the South Penrose Skelly Unit  
21 Well No. 220 and one has the orthodox location at its cen-  
22 ter, which is also designated as Well No. 1 in the southwest  
23 quarter of Section 5.

24           Q           Now, how many acres are encompassed with-  
25 in each of these circles?

1           A           160 acres.

2           Q           And that is the presumed drainage area  
3 for these wells if they're gas wells?

4           A           If they are gas wells, that's correct.

5           Q           Do you believe the production from the  
6 subject well should be restricted or penalized as a result  
7 of its unorthodox location?

8           A           Yes, I believe it should have a meaning-  
9 ful penalty.

10          Q           If a meaningful penalty isn't imposed,  
11 what impact would it have on your correlative rights?

12          A           The well will drain Marathon's acreage  
13 and will not protect its correlative rights.

14          Q           If a penalty is imposed on this produc-  
15 tion, could you recommend to the examiner an appropriate  
16 production limitation figure, and you may want to refer to  
17 Exhibit Number Two in responding to that question.

18          A           Marathon has prepared Exhibit Number Two  
19 with a proposed production limitation factor for Bliss Pet-  
20 roleum's unorthodox well location.

21                    The first -- we used two factors in  
22 determining this factor.

23                    The first is the east/west variation from  
24 the standard location. The well is only 5 feet from Mara-  
25 thon's lease, which is 99 percent of a 660 location.

1                   The second factor would be the area of  
2 encroachment on offset acreage, which is 44.5 acres, 28 per-  
3 cent of the 160 acre drainage area if this is a gas well.

4                   Therefore, the recommended penalty with a  
5 99 percent east/west factor and the 28 percent net acre fac-  
6 tor, would be 63-1/2 percent restriction of the unorthodox  
7 well's production, or 36.5 percent production limitation  
8 factor to be applied against the well's prorated allowable,  
9 assuming it is a prorated allowable.

10                  Q           And if it isn't in a prorated pool, what  
11 do you recommend that penalty be assessed against?

12                  A           On the semi-annual deliverability test.

13                  Q           And would you request that these tests be  
14 witnessed?

15                  A           Yes.

16                  Q           So your recommendation is, if we're talk-  
17 ing about a 160-acre gas unit, that the well be allowed to  
18 produce 36-1/2 percent of either its allowable or its  
19 deliverability.

20                  A           Yes.

21                  Q           If this happens to be an oil well, do you  
22 recommend that the same approach be taken in assessing a  
23 penalty or applying a penalty to the well's production?

24                  A           Yes, only two factors should be consid-  
25 ered.

1           Q           When Mr. Bliss testified a few minutes  
2 ago that for Marathon to develop its acreage it would need  
3 to re-enter one of its existing wells, do you agree with  
4 that, or do you believe it would be economical for Marathon  
5 to drill an additional well?

6           A           It would not be economical for Marathon  
7 to drill an additional well. If we are to drain the Eumont,  
8 or a shallower zone, we would need to recomplete an existing  
9 well.

10          Q           And are the existing wells on the Mara-  
11 thon tract drilled at standard locations?

12          A           Two of the wells are.

13          Q           The No. 3 is not, as shown on Exhibit One?

14          A           Right.

15          Q           Does Marathon request that prior to any  
16 work being done on the subject well that Mr. Bliss be re-  
17 quired to re-survey the well and establish that it in fact  
18 is bottomed on his tract?

19          A           Marathon feels that he should confirm  
20 that it is on his own property.

21          Q           Do you believe that penalizing the well's  
22 production as you have recommended would in fact protect  
23 Marathon's correlative rights?

24          A           We feel no penalty will in fact protect  
25 Marathon's rights.

1           Q           How did you arrive at this particular  
2 formula? Did you draw it from the formulas that have been  
3 used in the past by the Oil Conservation --

4           A           Yes.

5           Q           -- Division? Do you believe granting the  
6 application with the penalty will be in the best interest of  
7 conservation, the prevention of waste, and as much as pos-  
8 sibly can be done, protect the correlative rights of Mara-  
9 thon?

10          A           Yes.

11          Q           Were Exhibits One and Two prepared by you  
12 or compiled under your direction?

13          A           Yes, they were.

14                       MR. CARR: At this time, Mr.  
15 Stogner, we would offer Exhibits One and Two.

16                       MR. STOGNER: Exhibit -- I'm  
17 sorry, any objection?

18                       MR. DICKERSON: No objection.

19                       MR. STOGNER: Exhibits One and  
20 Two will be admitted into evidence.

21                       MR. CARR: That concludes my  
22 direct examination of Ms. Vogel.

23                       MR. STOGNER: Mr. Dickerson, go  
24 ahead.

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## CROSS EXAMINATION

BY MR. DICKERSON:

Q Ms. Vogel, as I understood your testimony, you agree with Mr. Bliss when he states that in his opinion a new well to be drilled either on his acreage in the southwest quarter or on Marathon's acreage, could not be justified under current conditions, to test the San Andres and --

A That's correct.

Q -- shallower zones? Do, to your knowledge does Marathon have any intention or desire or plans in the works to re-enter any wells on the west half of the southeast quarter?

A Due to current economic conditions, we do not have current plans.

Q Do you have an opinion as to whether or not -- or do you agree with Mr. Bliss' opinion, let me say, that if he is not permitted to drill this well, this gas and oil that he may possibly encounter in this wellbore to be re-entered, would in fact not be recovered at all?

A No.

Q You do not agree with that?

A No, I think there is a future potential.

Q From a re-entry of other wells?

1           A           Yes, from the re-entry of an orthodox lo-  
2 cation at Well No. 2.

3           Q           Now when you calculate your proposed pen-  
4 alty to compensate Marathon for the likely drainage to some  
5 extent that would occur, as we all recognize here, you've  
6 not taken into account, have you, for the purposes of your  
7 calculations, Mr. Bliss' economics in recovering any produc-  
8 tion at all from this re-entered well?

9           A           The penalty on the production factor does  
10 not take into account economics at all.

11          Q           So that if the practical effect of the  
12 penalties that you request on behalf of your company were in  
13 fact to lead to the conclusion that Mr. Bliss would have to  
14 merely plug this well, that would be just the way it worked  
15 out.

16          A           I feel there are other ways that it could  
17 be worked out.

18          Q           Did you hear his testimony regarding his  
19 problems with re-entry of any of the other existing wells on  
20 his 160 acres?

21          A           Yes, but I did not hear any specifics.

22          Q           I believe it was generally to the effect  
23 that by reason of water injection or mechanical problems,  
24 open hole, no pipe in the hole, and things of that nature,  
25 that this was the best location on the southwest quarter for

1 a possible re-entry.

2 Do you have any information --

3 A No.

4 Q -- different from that?

5 A I don't have any information to the con-  
6 trary, no.

7 Q And you recognize, don't you, that this  
8 well was drilled pursuant to an approved order at a time,  
9 obviously, when the unit was in effect, and so the interests  
10 of the parties were not the same, but this is not the usual  
11 attempt to get as close to someone else's producing acreage  
12 as possible in order to get their production?

13 A The well was drilled for a different pur-  
14 pose, yes. Marathon did have an interest in the well at  
15 that time.

16 Q Do you have data from which you can cal-  
17 culate the amount of drainage that you believe will be suf-  
18 fered by Marathon in volumes of gas?

19 A No, I only used 160-acre drainage that is  
20 expected by (not clearly audible).

21 Q That's not really any data available from  
22 which any of us can calculate that at this time, is there?

23 A I do not think so.

24 Q So that your calculation of the risk pen-  
25 alty, or the penalty to be imposed, is based purely on a

1 mechanical method and not tied to the economics of the  
2 endeavor at all.

3 A That's correct.

4 MR. DICKERSON: I have no  
5 further questions, Mr. Examiner.

6 MR. STOGNER: Thank you, Mr.  
7 Dickerson.

8 Mr. Carr, any redirect?

9 MR. CARR: No redirect.

10

11

#### CROSS EXAMINATION

12 BY MR. STOGNER:

13 Q Ms. Vogel, do you know what a -- assuming  
14 160-acre gas proration unit, do you know what the standard  
15 location or locations are for a well on a 160-acre proration  
16 unit is?

17 A It's supposed to be 660's.

18 Q So the 660 location from the east boun-  
19 dary and the south boundary would be the nearest standard  
20 location that this well for a similar proration unit would  
21 be acceptable?

22 A Well, it could be the 1034 from the  
23 south; that would still be acceptable, I believe.

24 I just drew on the map, or had drawn on  
25 the map, the standard 660.

1 Q Assuming an oil well, 40-acre oil well,  
2 do you know what a standard location would be?

3 A It would be 330's.

4 Q Are you proposing that a penalty assessed  
5 would be using a 330/330 location?

6 A If it were an oil well, yes, and the same  
7 factors would be applied, the same basis.

8 Q Is there anything out there  
9 geologicalwise (sic) or engineeringwise (sic) that would  
10 make you think that this would not have a radial drainage --

11 A No.

12 Q -- if production was encountered?

13 A No, there is not.

14 Q What's your opinion of this location?

15 A Personal opinion?

16 Q Professional opinion.

17 A It was not drilled for the purpose of  
18 shallow drainage of Marathon's acreage. Marathon had an  
19 interest in the well and if that had been thought of at the  
20 time, the well would not have been drilled or would have  
21 been discussed.

22 Marathon would rather be included in the  
23 proration unit, have their 80 acres included in the  
24 proration unit along with the east half of the southwest  
25 quarter.

1                   We, as Mr. Bliss stated, we were not  
2 interested in selling our wellbores because all three of our  
3 wellbores are deep wellbores. We have other potential in  
4 them, which is more economical at the current time than the  
5 shallow potential.

6                   MR. STOGNER: Are there any  
7 other questions of Ms. Vogel?

8                   MR. DICKERSON: I have a  
9 couple, Mr. Examiner.

10                   MR. STOGNER: Mr. Dickerson.

11

12                   RE CROSS EXAMINATION

13 BY MR. DICKERSON:

14                   Q           Ms. Vogel, do I understand you to say  
15 that Marathon would rather participate basically in the re-  
16 entry of this well and have a nonstandard unit consisting  
17 of a portion of Marathon's acreage?

18                   A           We would rather have a nonstandard unit.  
19 We would rather be included. We are not sure at the present  
20 time whether we would take an override or take a working  
21 interest share.

22                   Q           Has Marathon considered whether or not it  
23 would be willing to pay its proportionate share of the cost  
24 of the cost of the --

25                   A           We are currently considering it, yes.

1           Q           And have you previously proposed this to  
2 Mr. Bliss?

3           A           We proposed that he make an offer for our  
4 rights, for our mineral rights.

5           Q           To purchase them?

6           A           To purchase them.

7           Q           But I mean have you proposed to him that  
8 -- that something along the lines you're now suggesting be  
9 considered?

10          A           No, we have not.

11          Q           In the event -- would Marathon be in a  
12 position to commit within a reasonable period of time as to  
13 whether or not it would in fact participate in its propor-  
14 tionate share of the cost if that were agreed to by both  
15 parties?

16          A           Within a reasonable period of time, I be-  
17 lieve we would.

18                           MR. DICKERSON: I have no fur-  
19 ther questions.

20                           MR. STOGNER: Ms. Vogel, do you  
21 feel this little area could be unitized?

22          A           Yes.

23                           MR. STOGNER: I have no further  
24 questions.

25                           Any other questions of Ms.

1 Vogel?

2 MR. CARR: No questions.

3 MR. DICKERSON: One more ques-  
4 tion.

5 MR. STOGNER: Go ahead, Mr.  
6 Dickerson.

7 MR. DICKERSON: You stated, Ms.  
8 Vogel, that you feel this area could be unitized. Do you  
9 mean for secondary recovery or for primary recovery of these  
10 shallow zones?

11 A Primary recovery of the shallow zones  
12 (not clearly audible.)

13 MR. DICKERSON: Do you have any  
14 production data or geological information that we have not  
15 discussed here today that would lead to that conclusion?

16 A No.

17 MR. DICKERSON: No further  
18 questions.

19 MR. STOGNER: Any other ques-  
20 tions of Ms. Vogel?

21 MR. LYON: May I ask a ques-  
22 tion?

23 MR. STOGNER: Mr. Lyon. Would  
24 you identify yourself?

25 MR. LYON: I'm V. T. Lyon,

1 Chief Engineer for the Oil Conservation Division.

2 Ms. Vogel, when you mentioned  
3 unitization, did you really mean a communization of this 160  
4 acres?

5 A Yes.

6 MR. STOGNER: Any other  
7 questions of Ms. Vogel?

8 MR. DICKERSON: No.

9 MR. STOGNER: If not, she may  
10 be excused.

11 Mr. Dickerson, do you have any-  
12 thing further?

13 MR. DICKERSON: No, Mr. Exa-  
14 miner, I have a short statement.

15 MR. STOGNER: Mr. Carr, do you  
16 have anything?

17 MR. CARR: I have a short  
18 statement.

19 MR. STOGNER: All righty. Be-  
20 fore we get to the statements, this application will be re-  
21 advertised to consider the shallower oil interest, any oil  
22 interest in the San Andres formation, and that will be read-  
23 vertised for the April 30th hearing set here.

24 I assume at this time we're  
25 ready for semi-closing statements.

1 MR. DICKERSON: Mr. Examiner,  
2 on second thought, we neglected, or I neglected to ask Mr.  
3 Bliss, after he testified regarding a likely penalty as to  
4 what penalty he could live with, and I would --

5 MR. STOGNER: Would you like to  
6 recall him for that?

7 MR. DICKERSON: -- like to re-  
8 call him for that one purpose.

9 MR. STOGNER: Let the record so  
10 show that Mr. Bliss has been sworn.

11

12 PAUL D. BLISS,  
13 being recalled and being still under oath, testified as fol-  
14 lows, to-wit:

15

16

REDIRECT EXAMINATION

17 BY MR. DICKERSON:

18 Q Mr. Bliss, you previously testified that  
19 you recognized some penalty would most likely be imposed un-  
20 der the circumstances of this case.

21

22 Based on your experience in the area and  
23 your beliefs as to the marginal nature of the production, if  
24 any, that you are likely to encounter, what type of penalty  
25 factor would you be able to live with as far as still being  
able to pursue your goal of re-entering this well and pro-

1 ducing this oil and gas?

2 A I think I could live with a 50 percent  
3 penalty on the proration unit, whether or not it was 160 or  
4 40 acres. A 50 percent penalty would be -- or greater would  
5 be better, but I could live with, probably, 50 percent.

6 Q If you anticipate -- if you established  
7 the production that you're hopeful of establishing, do you  
8 think that it would still be economical from your standpoint  
9 at that lower risk.

10 A Yes. I think what would happen is the  
11 payout on the investment would be considerably longer but I  
12 could -- I could live with a 50 percent.

13 Q In your opinion would the establishment  
14 of a 50 percent penalty or something in that neighborhood  
15 also operate to protect Marathon's correlative rights in  
16 this instance?

17 A Yes, I think so, because if they're  
18 making an assumption, and Martha's making the assumption  
19 this is radial drainage, and if 50 percent of it's being  
20 drained off of theirs and 50 percent's off of mine, well, we  
21 could -- we could live with that.

22 MR. DICKERSON: I have no fur-  
23 ther questions.

24 MR. STOGNER: Mr. Carr, your  
25 witness.

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## REDIRECT EXAMINATION

BY MR. CARR:

Q Mr. Bliss, this 50 percent penalty that you're talking about would be applied either against its allowable or its deliverability, is that correct?

A Its allowable.

Q And if in a nonprorated pool it would be against the deliverability.

A Yes, I would -- yes, that's what I was thinking of.

Q And this recommendation is based on the economics of the venture more than any drainage calculations.

A Yes. I visualize what it's going to cost me to do to this and what I think I'm going to get out of it and I'm projecting a payout down the road, something to live with.

MR. CARR: Okay, no further questions.

MR. STOGNER: Thank you, Mr. Carr.

Mr. Dickerson, any redirect?

MR. DICKERSON: No.

MR. STOGNER: I have no ques-

1 tions of Mr. Bliss.

2 Are there other questions of  
3 this witness?

4 I guess we're ready for semi-  
5 annual -- semi-final statements at this time.

6 Mr. Carr, you may go first.  
7 Mr. Dickerson, you may follow up.

8 MR. CARR: Mr. Stogner, Mr.  
9 Bliss appears before you today seeking approval of an unor-  
10 thodox well location. He is attempting to use a wellbore  
11 that he can economically enter and attempt to produce some  
12 reserves from several shallow formations down in the old  
13 Penrose Skelly Unit.

14 The problem with the applica-  
15 tion from Marathon's point of view is that the well is lo-  
16 cated 5 feet from its common lease line. Mr. Dickerson and  
17 Mr. Bliss have pointed out that there was a prior order en-  
18 tered approving this location. If you look at that order,  
19 hwoever, and look particularly at paragraph six, that order  
20 is directed to a subject pool and that was the Penrose. The  
21 Penrose is not the subject of today's application.

22 It has developed during the  
23 course of this case that there may still be room for nego-  
24 tiation between the parties and I want to assure you that  
25 Marathon will continue to negotiate in good faith with Mr.

1 Bliss, and should any resolution of this dispute be reached  
2 between the parties, we will immediately advise you.

3 The question that stands before  
4 you today is how can the correlative rights of Marathon be  
5 protected.

6 Division Rule 104-G provides  
7 that whenever an exception is granted to the well location  
8 requirements, the Division may take such action as will  
9 offset any advantage which the person securing the exception  
10 may obtain over other producers by reason of the unorthodox  
11 location.

12 This is a discretionary power  
13 given to the Division, but the Division traditionally im-  
14 poses a penalty which results in a reduction in the well's  
15 ability to produce.

16 A number of approaches to the  
17 penalty have been taken by the Division over the years. In  
18 prorated fields the acreage factor may be reduced. This was  
19 done most recently, I believe, by the Commission in Order R-  
20 8025A, which was entered February 26th of this year.

21 Production limitation factors  
22 are also established by order. They again may tie into pro-  
23 ductive acres or they may key into various formulas, and  
24 when you don't have body of technical geologic and  
25 engineering data to turn to to establish a production limi-

1 tation formula, you have gone to these traditional formulas  
2 and some of them use three factors, others use the approach  
3 taken today by Marathon with two factors, the extended  
4 drainage and proximity to the offsetting property.

5           The bottom line is that you go  
6 about setting a penalty, you need to set a penalty that is  
7 going to be meaningful. It has to offset the advantage  
8 gained by the other operator, whether he's there for econo-  
9 mic reasons or any other reasons, and the fact in this case  
10 is that Mr. Bliss is 99 percent too close to the Marathon  
11 property, and if Marathon is to develop this acreage it will  
12 develop it for economic reasons from a standard location.

13           We have no information to esta-  
14 blish exactly how many acres each of these wells in the area  
15 will drain in these shallow zones.

16           So we turn to the spacing  
17 rules. The spacing rules are based on what acreage a well  
18 is presumed to drain and that's 160 acres.

19           Mr. Bliss is 5 feet from the  
20 lease line. We're assuming radial drainage. To offset that  
21 we either have to go from a standard location or drill a  
22 well 10 feet away from him right off our lease line, which,  
23 of course, being prudent, will be an unnecessary well.

24           For that reason we've come be-  
25 fore you and we ask you to impose a penalty of 36-1/2 per-

1 cent -- I mean establish a production limitation factor of  
2 35-1/2 percent, meaning that the well could produce either  
3 36-1/2 percent of its allowable or of its deliverability in  
4 a nonprorated pool, based on semi-annual deliverability  
5 tests.

6 The case was broadened in scope  
7 today to include oil wells and therefore we think if an oil  
8 well is obtained, the same approach should be taken and that  
9 well should be penalized using the same approach as pre-  
10 sented today by Marathon.

11 We'd also request that before  
12 anything is done on this well that the Division require that  
13 the well be surveyed to establish whether or not it is in  
14 fact bottomed on Mr. Bliss' property. We're looking at a  
15 depth of up to 4500 feet and we are -- and a deviation of  
16 only 5 feet in the wrong direction could place the well, in  
17 fact, on Marathon's tract.

18 We therefore believe that if  
19 you're to carry out your duties, if you're to protect cor-  
20 relative rights of Marathon, if you're to act in a fashion  
21 consistent with established Commission practice, you must  
22 impose a meaningful penalty on the well, that you need to  
23 establish a penalty that will permit it to produced only 36-  
24 1/2 percent of either its allowable or deliverability, and  
25 that you must also assure that it is bottomed in fact on

1 the lease that is owned by Mr. Bliss and in so doing, you  
2 must require that the well be resurveyed.

3 MR. DICKERSON: Mr. Examiner,  
4 I'm sure that Mr. Bliss wishes that this well were much fur-  
5 ther at a legal location away from Marathon's lease line.  
6 That would simplify matters for all concerned.

7 This is not the usual case that  
8 we come before the Division to argue unorthodox well loca-  
9 tions where a party before the drilling of the well in most  
10 instances approaches you for an order permitting that and  
11 your traditional mechanical method of -- of drainage calcu-  
12 lations for the purpose of the assumptions of a radial  
13 drainage pattern and the calculation from the overlap as to  
14 a penalty factor to be imposed, makes sense.

15 Because this is a unique situa-  
16 tion, a well drilled during the existence and operation of a  
17 secondary recovery unit for purposes of that unit, and we  
18 certainly make no claim that we're permitted to re-enter  
19 this well for present purposes by virtue of the order en-  
20 tered eleven years ago by this Division, but we think the  
21 circumstances that have given rise to this problem are uni-  
22 que and that the uniqueness of these factors would justify a  
23 slight variation from the traditional mechanical imposition  
24 of a penalty by the Division.

25 Mr. Bliss was straightforward,

1 I think you would agree, and recognizes that in order to  
2 carry out your duty to protect Marathon's correlative  
3 rights, which he certain realizes that some penalty should  
4 be imposed. He simply asks that the mechanical approach of  
5 calculating the overlap and direct descendancy to the set  
6 percentages not be used by virtue of the uniqueness of the  
7 facts in this case, and that based on his anticipation as to  
8 the possible recovery of oil and gas that he hopes for here,  
9 that he could live with and possibly still recover his in-  
10 vestment of a smaller -- based on a smaller penalty, in the  
11 neighborhood of 50 percent, and we would recommend and re-  
12 quest that the Division consider that and not fall into the  
13 easy pattern of simply mechanically applying the formula to  
14 calculate the percentage.

15 We have no objection to the way  
16 the mathematics was calculated but it is mechanical and we  
17 don't feel that it facilitates the division in carrying out  
18 the other part of its duties and that is to prevent waste as  
19 well as to protect correlative rights, and some blending of  
20 the interest of the two parties here, we think, would be ap-  
21 propriate and we ask that something along those lines be  
22 done.

23 MR. STOGNER: Thank you, Mr.  
24 Dickerson.

25 Let me record remain open until

1 the April 30th hearing.

2 I'd like to request that if for  
3 some reason there is not some sort of voluntary agreement  
4 between Marathon and Bliss, that after a week, that would be  
5 May 6th, that both parties submit to me a rough addressing  
6 this problem of survey, if a directional survey has not been  
7 done between now and that time.

8 MR. CARR: Mr. Stogner, are you  
9 requesting a proposed order on May 6th?

10 MR. STOGNER: Yes, if there has  
11 not been an agreement reached, addressing the penalty, and  
12 if there has not been a voluntary directional survey done on  
13 the well, address that, too.

14 And if there happens to be a  
15 voluntary directional survey done between now and that  
16 time, I'm sure that Marathon would be notified along with us  
17 in case -- if this directional survey were done by the good-  
18 ness of Bliss Petroleum, notify both parties.

19 MR. CARR: So we could witness  
20 it.

21 MR. STOGNER: Yes, and so some-  
22 body out of the Hobbs District Office could also witness it.

23 Is there anything else further  
24 in Case 8773 at this time?

25 MR. DICKERSON: No.

MR. STOGNER: If not, this case  
will be left open pending the April 30th, 1986 hearing.

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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 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. 8773, heard by me on 2 April 1986.

Michael J. [Signature] Examiner  
Oil Conservation Division

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

30 April 1986

EXAMINER HEARING

IN THE MATTER OF:

Application of Bliss Petroleum, Inc.      CASE  
for an unorthodox well location, Lea      8773  
County, New Mexico.

BEFORE; Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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

For the Applicant:

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MR. STOGNER: Call next Case  
Number 8773.

MR. TAYLOR: The application of  
Bliss Petroleum, Incorporated, for an unorthodox well  
location, Lea County, New Mexico.

MR. STOGNER: This case was  
heard on April 2nd, 1986. Due to a misadvertisement this  
case is being readvertised and continued at this time.

Is there any additional  
testimony?

If not, Case Number 8773 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 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. 8773,  
heard by me on 30 April 1986.

Michael E. Stogner, Examiner  
Oil Conservation Division