

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 17 October 1984

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of J. Cleo Thompson,  
10 and James Cleo Thompson, Jr., a  
Partnership, for an exception to  
Rule 104 C.I., Eddy County, New  
Mexico.

CASE  
8374

11  
12 BEFORE: Gilbert P. Quintana, Examiner

13  
14 TRANSCRIPT OF HEARING

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17 A P P E A R A N C E S

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19 For the Oil Conservation  
20 Division:

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

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23 For the Applicant:  
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MR. QUINTANA: This hearing  
will come to order and we will proceed with the cases.

We'll call next Case 8374.

MR. TAYLOR: The application of  
J. Cleo Thompson and James Cleo Thompson, Jr., a  
partnership, for an exception to Rule 104 C-1, Eddy County,  
New Mexico.

I believe the applicant has  
requested a continuance on this.

MR. QUINTANA: Case 8374 will  
be so continued until November 14, 1984.

(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 Con-  
servation Division was reported by me; that the said tran-  
script is a full, true, and correct record of the hearing,  
prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examination of Case No. 8374  
heard by me on Oct. 17 1984.

Gilbert P. Quintana Examiner  
Oil Conservation Division

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 14 November 1984

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of J. Cleo Thompson CASE  
10 and James Cleo Thompson, Jr. 8374  
11 a partnership, for an exemption to  
12 Rule 104 C.I., Eddy County, New  
13 Mexico.

14 BEFORE: Gilbert P. Quintana, Examiner

15 TRANSCRIPT OF HEARING

16 A P P E A R A N C E S

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

23 For the Applicant: Chad Dickerson  
24 Attorney at Law  
25 LOSEE, CARSON & DICKERSON  
P. O. Drawer 239  
Artesia, New Mexico 88210

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I N D E X

TOXIE BEAVERS

Direct Examination by Mr. Dickerson	3
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E X H I B I T S

Applicant Exhibit One, Plat	6
Applicant Exhibit Two, Curve	8
Applicant Exhibit Three, Curves	8
Applicant Exhibit Four, Plat	10

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3 MR. QUINTANA: We'll call next  
4 Case 8374.

5 MR. TAYLOR: The application of  
6 J. Cleo Thompson and James Cleo Thompson, Jr., a partner-  
7 ship, for an exemption to Rule 104, Eddy County, New Mexico.

8 MR. DICKERSON: Mr. Examiner,  
9 I'm Chad Dickerson of Artesia, New Mexico, appearing on be-  
10 half of the applicant and I have one witness to be sworn.

11 MR. QUINTANA: Are there other  
12 appearances in this Case 8374?

13 If not, may the witness please  
14 stand up and be sworn in, please?

15  
16 (Witness sworn.)

17 TOXIE BEAVERS,  
18 being called as a witness and being duly sworn upon his  
19 oath, testified as follows, to-wit:

20 DIRECT EXAMINATION

21 BY MR. DICKERSON:

22 Q What is your name, your occupation, and  
23 your place of residence?

24 A My name is Toxie Beavers. I'm Vice Pres-  
25 ident with Thompson Petroleum Corporation. I live in Dal-  
las, Texas.

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Q And have you been retained as a consultant on behalf of that corporation to testify on behalf of the partnership, which is the applicant in this case?

A Right. I'm appearing in behalf of J. Cleo Thompson and James Cleo Thompson, Jr., a partnership.

Q And you have previously testified in earlier hearings before this Division as an officer of this corporation on behalf of this partnership, have you not?

A That's correct.

Q Mr. Beavers, are you familiar with the application in this case and the circumstances giving rise to the application?

A Yes.

Q Mr. Beavers, will you briefly summarize the purpose of the application filed in Case 8374?

A In this case J. Cleo Thompson, James Cleo Thompson, Jr., a partnership, seek an exception to Rule 104 C.I. of the New Mexico Oil Conservation Division General Rules and Regulations to permit the drilling at orthodox and unorthodox locations of more than four wells per 40-acre spacing unit for more efficient development of West Square Lake Waterflood Project, Townships 16 and 17 South, Range 30 East, Eddy County, New Mexico.

Q Mr. Beavers, has that waterflood unit previously been approved by the Oil Conservation Division?

A Yes, it was approved by Order Number R-7375, dated October 20, 1983, and a compulsory unitization

1  
2 of the West Square Lake Unit was approved by Order Number R-  
3 7375-A, dated May 9, 1984.

4 MR. DICKERSON: Mr. Examiner,  
5 both of those orders or the cases out of which those orders  
6 arose contained a large amount of technical data related to  
7 this unit which is pertinent to this case as well, and we  
8 would ask that the Division take administrative notice of  
the record in those two proceedings.

9 MR. QUINTANA: Administrative  
10 notice will be taken of these cases.

11 Could you please repeat those  
12 cases to me?

13 MR. DICKERSON: I'm sorry, Mr.  
14 Examiner, I don't have the case numbers. The orders were R-  
15 7375 and R-7375-A.

16 Q Mr. Beavers, is the waterflood project  
active at this time?

17 A Technically the waterflood is active,  
18 however it's not effective due to the present existing spac-  
19 ing pattern.

20 As shown by exhibits and testimony in  
21 earlier cases, in the operator's plan of development submit-  
22 ted in those hearings the initial development of the unit  
23 will be commenced by drilling numerous new wells within the  
unit boundary.

24 Many of these new wells are subject to  
25 this application. When drilled the primary production from



1 these wells will be analyzed for the purpose of projecting  
2 new response to secondary recovery operations. When this  
3 has been accomplished we intend to actively pursue the  
4 waterflood at that time.

5 MR. DICKERSON: Mr. Examiner,  
6 let me state for the record and because you were not the ex-  
7 aminer at any of the earlier hearings, just for your infor-  
8 mation, this acreage included within this compulsory unit  
9 and the waterflood unit has been the subject of secondary  
10 recovery operations by Newmont Oil Company for many years  
11 previously.

12 It has been neglected and not  
13 actively operated in recent years and upon the acquisition  
14 by the applicant in this case of those properties and given  
15 his intention of re-instituting an active and effective  
16 secondary recovery program, which was approved in those ear-  
17 lier orders that we cited to the Examiner, the proceedings  
18 that we're considering today are further to his intentions  
19 to perfect a secondary recovery program.

20 The Division has previously  
21 notified the applicant informally and he is -- or the appli-  
22 cant, the partnership, is aware that additional approval  
23 will be required by the Division prior to actually institu-  
24 ting the injection of water in the proposed secondary re-  
25 covery program.

26 Q Mr. Beavers, would you refer to Exhibit  
27 Number One and describe what it shows?

1  
2           A           Exhibit Number One is a plat of the unit  
3 area. The boundaries of the unit which cover 3220 acres are  
4 shown. The location and designation of all wells previously  
5 drilled are indicated on the plat.

6           Q           And that would indicate, would it not,  
7 that virtually every 40-acre spacing unit within the bound-  
8 aries of this unit has located on it an old, and in most  
9 cases, or in many cases, abandoned wells at the center of  
10 those tracts?

11           A           That is correct.

12           Q           For purposes of your further testimony,  
13 Mr. Beavers, would you direct the Examiner's attention to  
14 the three recent wells which the applicant has drilled in  
15 this proposed unit about which you will testify later?

16           A           On the plat in Section 2, the north half  
17 of the north half, you'll notice the tract numbers are 23,  
18 21, and 20. Prior to unitization the well -- three new  
19 wells were drilled; the northwest of the northwest in Tract  
20 23, the northwest of the northeast in Tract 21, the north-  
21 east of the northeast in Tract 20.

22                       This was prior to unitization and produc-  
23 tion information was not referred to by tract and well num-  
24 ber at that time.

25           Q           And those three wells to which you refer  
are marked as --

          A           They're shown on this plat as 1, 5, and  
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Q Mr. Beavers, turn to Exhibit Number Two and tell the Examiner what it shows.

A Exhibit Number Two was compiled by our engineering department. It is a decline curve based on the total unit production from January, 1979, through September, 1984.

You'll note an increase in production commencing in January, 1983. This increase is attributable to the drilling and subsequent completion and production of the three wells that I've pointed out in the north of the north of Section 2. Those wells were then noted as the Merrill State 5, Hoover State Numbers 5 and 6.

Those three wells came on stream in early '83.

Q Mr. Beavers, what is Exhibit Number Three?

A Exhibit Number Three is an individual decline curves of primary production for each of the three wells drilled in Lots 1, 2, and 3, Section 2, Township 17 South, Range 30 East, by the applicant.

These wells were drilled in late 1982 and are referred to on this exhibit as the Merrill State No. 5, the Hoover State No. 5, and the Hoover State No. 6.

Q So we have some confusion in labeling those wells in our exhibit, but those are the three wells which you've previously indicated on Exhibit Number One.

A That is correct. Merrill State No. 5

1 would be Tract 23, Well 1.

2 Hoover State No. 5 would be Tract 21,  
3 Well 5.

4 Hoover State No. 6 would be Tract 20,  
5 Well 6.

6 Q Okay, continue, Mr. Beavers.

7 A By noting the location of these three  
8 wells on Exhibit Number One, you can see that the wells were  
9 each located on a 40-acre spacing unit which had supposedly  
10 been depleted by older wells, which are indicated at the  
11 center of each 40-acre tract; however, as shown on Exhibits  
12 Two and Three, production graphs, these three wells located  
13 at unorthodox locations between the old abandoned wells,  
14 have experienced additional primary recoveries of oil in ex-  
15 cess of 35,000 barrels total, which we consider to be very  
16 substantial.

16 We feel that this is indicative of the  
17 response we can expect in other parts of the unit area and  
18 economically justifies the drilling of additional wells in  
19 anticipation of a start-up on an active and effective second-  
20 ary recovery program.

21 Q And so is it the opinion of the applicant  
22 that notwithstanding the old, abandoned and substantially  
23 depleted wells within the unit area, that the performance of  
24 the three recent wells have established that substantial  
25 primary reserves remain?

A That's correct.

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Q Mr. Beavers, refer the Examiner to Exhibit Number Four and tell us what that states, shows.

A Exhibit Number Four is another plat showing some of the proposed locations and well patterns covering the southeast portion of the unit area which we are requesting to have approved at this hearing.

This for illustrative purposes, instead of filling up the whole map with proposed locations, to demonstrate what type of pattern we are going to follow.

Q And it appears to be basically the typical 5-spot secondary recovery pattern?

A Right, that would be our ultimate goal for the waterflood project, to have the complete 5-spot pattern across the unit.

Q Now on your Exhibit Number Four the proposed wells to be drilled are indicated by the circles which are not colored black?

A That's correct. They are noted under the legend right above the scale.

Q And Mr. Beavers, were the Merrill and the two Hoover wells, which you previously described located in the north half of the north half of Section 2, drilled in contemplation of this ultimate spacing pattern, as well?

A That is correct.

Q Mr. Beavers, Exhibits One through Four were compiled by you or under your supervision, were they not?

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2           A           That's correct.

3                       MR. DICKERSON:   Mr. Examiner,  
4 at this time I'd move admission of Applicant's Exhibats One  
5 through Four.

6                       MR. QUINTANA:   Exhibits One  
7 through Four will be admitted into evidence.

8           Q           Mr. Beavers, in your opinion will ap-  
9 proval of this application be in the interest of conserva-  
10 tion and will it result in recovery of oil that would other-  
11 wise be lost?

12           A           Yes, it will.

13                       MR. DICKERSON:   Mr. Examiner, I  
14 have no further questions of this witness.

15                       MR. QUINTANA:   Sally, I'd like  
16 to go off the record for just a second.

17                       (There followed a discussion off the  
18 record.)

19                       MR. QUINTANA:   While we were  
20 off the record it was clarified to myself that the Applicant  
21 requests an exception to Rule 104 C-I that requires that --  
22 requiring that he would like to drill more than four wells  
23 in a 40-acre proration unit. It has been advised to me that  
24 he will later on approach the Division in applying C-108 to  
25 allow for injection into these wells, through some of the  
specific wells.

1  
2 MR. DICKERSON: Mr. Examiner,  
3 may I state one other thing?

4 It is impossible to drill more  
5 than even four wells on a 40-acre unit without those loca-  
6 tions being unorthodox. I note that the publication in this  
7 case makes no mention of orthodox or unorthodox locations.  
8 Some, perhaps, would be orthodox; some would decidedly be  
9 unorthodox, and if you consider that there's any problem  
10 with the re-publication, we would ask that that be con-  
11 sidered at this time and if necessary, republished prior to  
12 entry of the order in this case.

13 I don't know that it is a prob-  
14 lem. I just noticed that it doesn't say anything about un-  
15 orthodox locations.

16 MR. QUINTANA: Mr. Dickerson,  
17 since there's not a specific list of wells at specific loca-  
18 tions, you may apply for these administratively, since it  
19 fits under the secondary recovery portion for infill drill-  
20 ing of -- in a more efficient pattern. You can apply for  
21 unorthodox locations administratively --

22 MR. DICKERSON: Okay.

23 MR. QUINTANA: -- and it will  
24 -- it will fit under Rule -- Rule 104-F, Roman Numeral I.

25 So you can apply for those un-  
orthodox locations administratively.

MR. DICKERSON: Okay, fine.  
Thank you.

1  
2 MR. QUINTANA: Are there fur-  
3 ther questions of the witness?

4 MR. DICKERSON: No.

5 MR. QUINTANA: If not, the wit-  
6 ness may be excused.

7 Is there anything further in  
8 Case 8374?

9 Case 8374 will be taken under  
10 advisement.

11 (Hearing concluded.)  
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C E R T I F I C A T E

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

Sally W. Boyd CSR

Nov. 14 8374  
84  
Gilbert P. Quintana  
Oil Conservation Division