



STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

**TONEY ANAYA**  
GOVERNOR

November 14, 1936

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87501  
(505) 827-5800

Mr. Thomas Kellahin  
Kellahin & Kellahin  
Attorneys at Law  
Post Office Box 2265  
Santa Fe, New Mexico

Re: CASE NO. 9022  
ORDER NO. R-3351

Applicant:

Pennzoil Company

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

*B. L. Hunt*

R. L. STAMETS  
Director

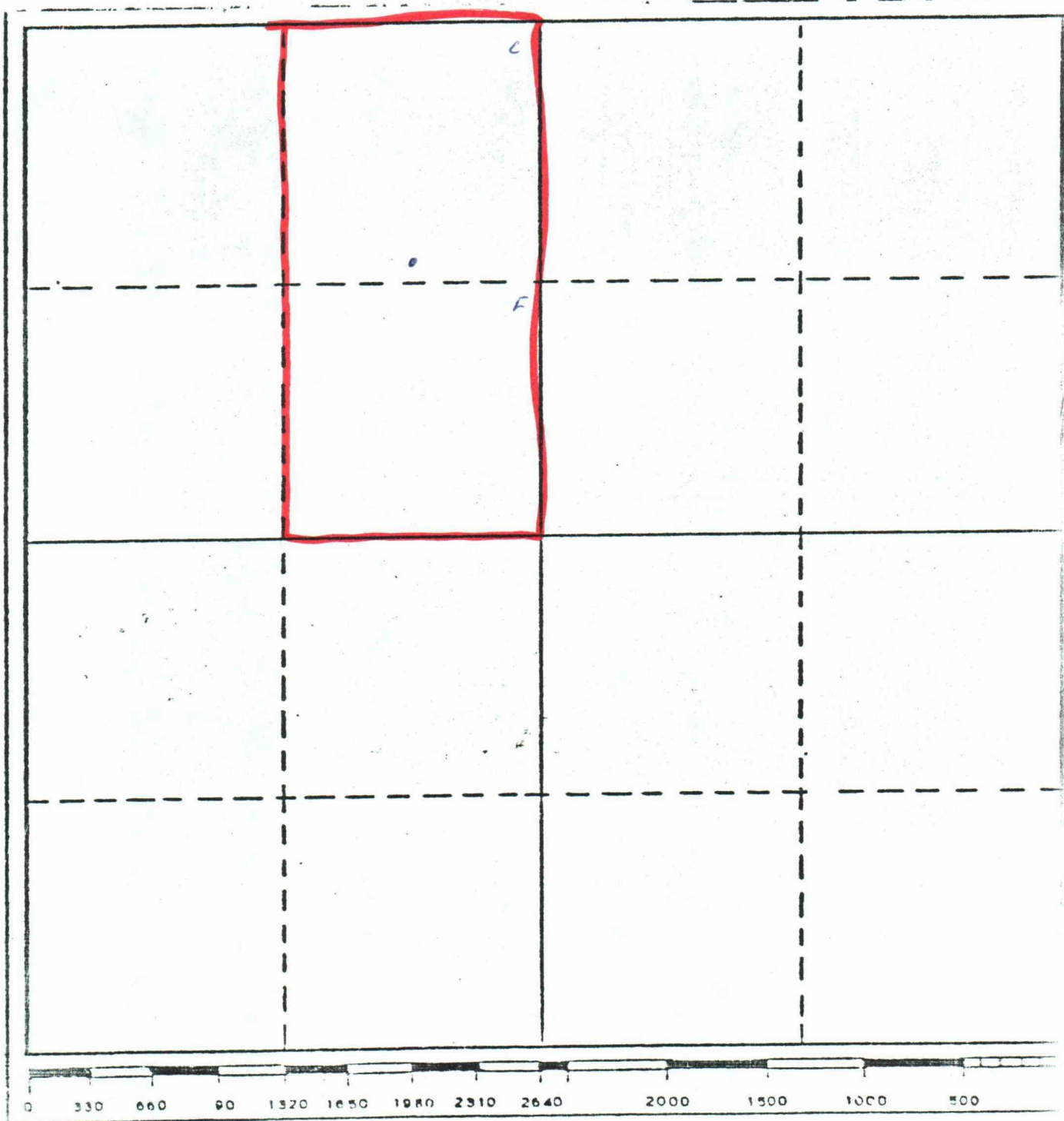
RLS / fd

Copy of order also sent to:

Hobbs OCD	<u>x</u>
Artesia OCD	<u>x</u>
Aztec OCD	

Other \_\_\_\_\_

3-T17S-R37E, NMPM, Lea County, New Mexico



W. Thomas Kellahin  
Karen Aubrey  
Jason Kellahin  
Of Counsel

KELLAHIN and KELLAHIN  
*Attorneys at Law*  
El Patio - 117 North Guadalupe  
Post Office Box 2265  
Santa Fe, New Mexico 87504-2265

Telephone 982-4285  
Area Code 505

October 14, 1986

RECEIVED

OCT 1 1986

OIL CONSERVATION DIVISION

Mr. Richard L. Stamets  
Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87501

"Hand Delivered"

Re: Pennzoil Company  
Unorthodox Well Location  
Shipp-Strawn Oil Pool

Case 9022

Dear Mr. Stamets:

On October 10, 1986 we filed an application for the hearing to be held on November 5, 1986 on behalf of Pennzoil Company for approval of an unorthodox well location for the Waldron #2 well. I wish to correct an error in paragraph 6 of the application. The well is located in the NE/4NW/4 and not in the SE/4NW/4.

Very truly yours,

  
W. Thomas Kellahin

WTK:ca  
Enc.

cc: Greg Davis  
Pennzoil Company  
P. O. Box 1828  
Midland, Texas 79701

Paul Bruce  
Pennzoil Company  
P. O. Box 1828  
Midland, Texas 79701

KELLAHIN and KELLAHIN

Mr. Richard L. Stamets  
October 14, 1986  
Page 2

cc: Mobil Producing Texas & New Mexico Inc.  
P. O. Box 633  
Midland, Texas 79702

Harvey E. Yates Company  
Explorers Petroleum Corporation  
Spiral Inc.  
P. O. Box 1933  
Roswell, New Mexico 88201

Yates Energy Corporation  
Fred G. Yates Inc.  
Suite 1010, Sunwest Centre  
Roswell, New Mexico 88201

Mesa Operating Limited Partnership  
P. O. Box 2009  
Amarillo, Texas 79189-2009

Sabine Corporation  
P. O. Box 3083  
Midland, Texas 79702

Louisiana Land and Exploration Company  
Suite 1200, 2950 North Loop West  
Houston, Texas 77092

Amerada Hess Corporation  
P. O. Box 2040  
Tulsa, Oklahoma 74102

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

5 November 1986

EXAMINER HEARING

IN THE MATTER OF:

Application of Pennzoil Company for      CASE  
an unorthodox oil well location, Lea      9022  
County, New Mexico.

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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

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

## I N D E X

GREGORY L. HAIR

Direct Examination by Mr. Kellahin 3

Cross Examination by Mr. Stogner 9

## E X H I B I T S

Pennzoil Exhibit One, Land Plat 4

Pennzoil Exhibit Two, Isopach 6

Pennzoil Exhibit Three, Notices 8

1  
2 MR. STOGNER: We'll call next  
3 Case Number 9022.

4 MR. TAYLOR: The application of  
5 Pennzoil Company for an unorthodox oil well location, Lea  
6 County, New Mexico.

7 MR. KELLAHIN: If the Examiner  
8 please, I'm Tom Kellahin of Santa Fe, New Mexico, appearing  
9 on behalf of the applicant and I have one witness to be  
10 sworn.

11 MR. STOGNER: Are there any  
12 other appearances in this matter?

13 Will the witness please stand  
14 and be sworn.

15  
16 (Witness sworn.)

17  
18 GREGORY L. HAIR,  
19 being called as a witness and being duly sworn upon his  
20 oath, testified as follows, to-wit:

21  
22 DIRECT EXAMINATION

23 BY MR. KELLAHIN:

24 Q Will you please state your name and occu-  
25 pation?

1           A           Gregory L. Hair. I'm employed by Penn-  
2       zoil Company as a geologist.

3           Q           As a geologist have you previously testi-  
4       fied before the Oil Conservation Division, and had your  
5       qualifications accepted and made a matter of record?

6           A           Yes, I have.

7           Q           And have you made a review of the geolo-  
8       gic factors in support of Pennzoil's application before the  
9       Division today?

10          A           Yes, I have.

11                   MR. KELLAHIN: We tender Mr.  
12       Hair as an expert petroleum geologist.

13                   MR. STOGNER: The witness is  
14       considered qualified.

15          Q           Mr. Hair, let me direct you to what we've  
16       marked as Exhibit One and have you identify that, plat for  
17       us.

18          A           Mr. Examiner, this is a land plat of the  
19       area in question and we're specifically looking at the pro-  
20       ration unit being the 80 acres that is the east half of the  
21       northeast quarter of Section 3.

22                   The plat shows the major interest holders  
23       in the area. That acreage colored yellow is where Pennzoil  
24       has working interest. Anything solid yellow Pennzoil has 100  
25       percent leases in the area and anything that is outlined in



1 yellow (this portion of tape lost due to malfunction.)

2                   Around the application area the working  
3 interest owners, all of the major owners are noted.

4                   Q           What is Pennzoil seeking to accomplish  
5 with this application, Mr. Hair?

6                   A           We are trying to drill a Strawn oil well  
7 in the least risky location within the 80-acre proration  
8 unit.

9                   Q           How have you identified that proposed lo-  
10 cation on Exhibit Number One?

11                   A           It is marked with a green arrow in the  
12 Shipp-Strawn Field.

13                   Q           Mr. Hair, what is the spacing requirement  
14 for a well in that pool?

15                   A           80 acres.

16                   Q           Within the spacing unit, being the east  
17 half of the northwest quarter, what would the pool rules re-  
18 quire for a well at a standard location?

19                   A           A standard location in the Shipp Field is  
20 any well within 150 feet of the center of a quarter quarter  
21 section.

22                   Q           And in what particular way is your  
23 proposed location for this well unorthodox?

24                   A           In the north/south direction. We're ask-  
25 ing for 1300 feet from the north line. This is approxi-

1 mately 20 feet from the boundary of the quarter section and  
2 is within the limits as defined by the Commission but is a  
3 nonstandard location in that direction. In the east/west  
4 direction we're 1980 feet from the west line, which is a  
5 legal location in that direction.

6 Q To an outer boundary, then, it's at a  
7 standard location and you're moving simply closer to the in-  
8 ternal 40-acre tract line.

9 A That is correct.

10 Q Let's turn now to Exhibit Number Two and  
11 have you identify that exhibit for us.

12 A This is a simple Isopach of the Strawn.  
13 We've left off all the outside things because we're only in-  
14 terested in this one little pool.

15 The Strawn here is composed of numerous  
16 pods which vary in size and shape. We recently have drilled  
17 a well which is marked on this map in the northwest of the  
18 northwest with a number 215. That is the Pennzoil -- No. 1  
19 Pennzoil Meyers.

20 Pipe was run on that well last weekend  
21 and we expect to complete that as a Strawn oil well within  
22 the week. This will be an offset to that well.

23 The other well in Section 3 is the dry  
24 hole marked with 123, the Waldron. It was drilled last year  
25 to a total depth that penetrated the Strawn and was a dry

1 hole in the Strawn.

2                   There are other wells on here that have  
3 penetrated the Strawn. The Shipp Field proper, most of it  
4 at this time is in Section 4, which is the next section to  
5 the west.

6                   Q           Mr. Hair, would you describe what you  
7 have interpreted for the Strawn pod identified on Exhibit  
8 Number Two?

9                   A           We feel that this is a typical algal  
10 mound which is part of the reservoir in the Strawn here. We  
11 encountered 215 feet of limestone in our Pennzoil Meyers.  
12 We hope to encounter the same amount with the test well, the  
13 No. 2 Waldron.

14                   The nature of these pods is that they're  
15 very steep-sided. You need to be right on the crest of  
16 them. They have very good production but you have to be  
17 very careful when you drill the well.

18                   We have interpreted through subsurface  
19 and seismic data that this -- the pod is oriented as I have  
20 shown it here,

21                   Q           What is the disadvantage if you're re-  
22 quired to move to a standard location either in the 40 acres  
23 in the north part of the spacing unit or the 40 acres in the  
24 south part?

25                   A           The amount of porosity encountered in the

1 Strawn is directly related to the thickness of the Strawn.  
2 The thicker the Strawn section the more likely you are to  
3 have porosity. We get off the axis of the pod and probably  
4 lose porosity and encounter greater risk. Also we have a  
5 little problem in this area with deviated wellbores. Almost  
6 every well out here deviates to the north approximately 100  
7 feet.

8 We've taken that into account somewhat.  
9 We'll probably be about 100 feet north of where we have the  
10 surface location spotted.

11 Q Let me show you Exhibit Number Three, Mr.  
12 Hair, and ask you whether or not this Certificate of Mailing  
13 to the offset operators includes all the offset operators  
14 that would have an interest in the spacing units that offset  
15 your proposed spacing unit?

16 A Yes, I believe it does. I think I see  
17 all of them there.

18 MR. KELLAHIN: That's all the  
19 questions I have of Mr. Hair.

20 We offer Pennzoil Exhibits One,  
21 Two, and Three.

22 MR. STOGNER: Are there any ob-  
23 jections?

24 If not, Exhibits One, Two, and  
25 Three will be admitted into evidence.

1 MR. KELLAHIN: That concludes  
2 my examination of Mr. Hair.

3 MR. STOGNER: Thank you, Mr.  
4 Kellahin.

5  
6 CROSS EXAMINATION

7 BY MR. STOGNER:

8 Q Mr. Hair, the two quarter sections -- I'm  
9 sorry, the two quarter quarter sections which make up this  
10 80-acre proration unit, are the working interest owners and  
11 the royalty interest owners identical between both of them?

12 A Yes, they are. That is one contiguous  
13 lease. We have out of that maybe 120 acres, we have 110.98  
14 acres leased and the other lessee is Mobil and the only  
15 other lessee. So it is contiguous, yes.

16 MR. STOGNER: I have no further  
17 questions of Mr. Hair.

18 Are there any other questions  
19 of this witness?

20 MR. KELLAHIN: No, sir.

21 MR. STOGNER: If not, he may be  
22 excused.

23 Anything further in Case Number  
24 8022 -- or 9022?

25 The case will be taken under  
advisement.

## 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 this portion 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. 9022, heard by me on 5 November 19 86.

Michael E. Hogner, Examiner  
Oil Conservation Division