

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY)
THE OIL CONSERVATION DIVISION FOR THE)
PURPOSE OF CONSIDERING:)
) CASE NO. 13,342
APPLICATION OF BTA OIL PRODUCERS FOR AN)
EXCEPTION TO DIVISION RULE 104.C.(2).(C),)
LEA COUNTY, NEW MEXICO)
_____)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: RICHARD EZEANYIM, Hearing Examiner

September 16th, 2004

Santa Fe, New Mexico

2004 OCT 1 PM 2 01

This matter came on for hearing before the New Mexico Oil Conservation Division, RICHARD EZEANYIM, Hearing Examiner, on Thursday, September 16th, 2004, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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I N D E X

September 16th, 2004
Examiner Hearing
CASE NO. 13,342

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| <u>ROBIN G. HUGHES</u> (Landman) | |
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* * *

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* * *

A P P E A R A N C E S

FOR THE DIVISION:

GAIL MacQUESTEN
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FOR THE APPLICANT:

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 By: WILLIAM F. CARR

* * *

1 WHEREUPON, the following proceedings were had at
2 8:35 a.m.:

3 EXAMINER EZEANYIM: At this time I'll call Case
4 Number 13,342, which is the Application of BTA Oil
5 Producers for an exception to Division Rule 104.C.(2).(c),
6 Lea County, New Mexico.

7 Call for appearances.

8 MR. CARR: May it please the Examiner, my name is
9 William F. Carr with the Santa Fe office of Holland and
10 Hart, L.L.P. We represent BTA Oil Producers in this
11 matter, and I have one witness.

12 EXAMINER EZEANYIM: Are there any other
13 appearances?

14 Will the witness stand up to be sworn?

15 (Thereupon, the witness was sworn.)

16 EXAMINER EZEANYIM: Mr. Carr, you may continue.

17 MR. CARR: Thank you.

18 ROBIN G. HUGHES,

19 the witness herein, after having been first duly sworn upon
20 her oath, was examined and testified as follows:

21 DIRECT EXAMINATION

22 BY MR. CARR:

23 Q. Would you state your name for the record, please?

24 A. Robin Hughes.

25 Q. Ms. Hughes, where do you reside?

1 A. Midland, Texas.

2 Q. By whom are you employed?

3 A. BTA Oil Producers.

4 Q. And what is your current position with BTA Oil
5 Producers?

6 A. I'm a landman.

7 Q. Have you previously testified before the
8 Division?

9 A. I have.

10 Q. But not before Mr. Ezeanyim?

11 A. No.

12 Q. Would you review your educational background,
13 please?

14 A. I have a BBA in petroleum land management from
15 the University of Oklahoma.

16 Q. And when did you receive your degree?

17 A. 1979.

18 Q. And since that time, for who have you worked?

19 A. For BTA Oil Producers.

20 Q. At all times as a landman?

21 A. Yes.

22 Q. Are you familiar with the Application filed in
23 this case?

24 A. Yes, I am.

25 Q. Are you familiar with the BTA 8817 JV-P Ojo Chiso

1 Federal Well Number 3?

2 A. Yes.

3 Q. Are you familiar with the status of the lands
4 surrounding this well?

5 A. Yes.

6 Q. Are you the person that picks these names for
7 these wells with the numerals and the numbers?

8 A. I am not.

9 Q. Is that a unique in-house numbering system?

10 A. It is.

11 MR. CARR: Mr. Examiner, we tender Ms. Hughes as
12 an expert in petroleum land matters.

13 EXAMINER EZEANYIM: Ms. Hughes is so qualified.

14 Q. (By Mr. Carr) Could you briefly state what it is
15 that BTA seeks with this Application?

16 A. BTA operates the Ojo Chiso Number 3 well in the
17 southwest quarter of Section 26, Township 22 South, Range
18 34 East, in Lea County. What we seek is to plug that well
19 back to the Atoka formation, and Samson operates a well in
20 the northwest quarter on a 320-acre-spaced unit, so we seek
21 to be named the second operator in that 320-acre-spaced
22 unit by asking for an exception to Division Rule Number
23 104.C.(2).(c).

24 Q. Ms. Hughes, let's go to what has been marked BTA
25 Exhibit Number 1. Would you identify and review this

1 please? And we have included two pages in this exhibit.

2 A. Okay, this is again in Lea County, it's Section
3 26, 22 South, 34 East. In the northwest quarter you'll see
4 the Samson Ojo Chiso Federal Number 1 well, which was
5 drilled in 1989 by Oryx. In the southeast quarter is the
6 Ojo Chiso Federal Number 2 well, also operated by Samson,
7 drilled in 1990 by Oryx. In the southwest quarter is the
8 BTA Ojo Chiso Federal Number 3 well, drilled in 1992.

9 Q. And that well, the Number 3 well, was drilled by
10 who?

11 A. BTA.

12 Q. And that's the well you want to now recomplete
13 uphole in the Atoka?

14 A. Yes.

15 Q. Is the acreage in the west half of Section 26
16 covered by a joint operating agreement?

17 A. Yes.

18 Q. And both wells that are on this spacing unit were
19 drilled pursuant to that agreement; is that correct?

20 A. Yes, that's correct.

21 Q. What is the character of the land? Federal?

22 A. Yes, it's on one federal lease.

23 Q. Could you review the current status of the
24 development? We have first of all the Ojo Chiso Well
25 Number 1. That's the well on the northwest quarter?

1 A. Yes, that well produces from the Atoka, as does
2 the Ojo Chiso Federal Number 2 in the southeast quarter.

3 Q. Samson is a working interest owner in this
4 standup spacing unit?

5 A. Correct.

6 Q. And they drilled -- or they are the current
7 operator of the Atoka well in the northwest quarter?

8 A. Correct.

9 Q. Do you know the name of the pool, the Atoka pool,
10 in which these other wells produce? Is it the Undesignated
11 Antelope Ridge-Atoka Gas Pool?

12 A. Yes, it is.

13 Q. What is the BTA ownership in this west-half
14 spacing unit?

15 A. We have 75 percent of the interest.

16 Q. And you're proposing to recomplete a well which
17 you have operated since it was drilled in the Morrow
18 formation?

19 A. That's correct.

20 Q. Has Samson indicated a willingness to participate
21 in the recompletion of this well?

22 A. Yes, they have, they've signed an AFE.

23 Q. And is it the proposal that after this well is
24 recompleted uphole in the Atoka, that each of the companies
25 will report its own production to the Division?

1 A. Yes.

2 Q. Okay, would you identify what has been marked as
3 Exhibit Number 2?

4 A. Exhibit Number 2, "Interests of the Parties".

5 Q. And why is there a difference between the top set
6 of figures and the bottom figures?

7 A. Well, in the Ojo Chiso Federal Number 3 Joe
8 Reynolds farmed out a portion of his interest, so that gave
9 us a little larger interest in the Number 3 well.

10 Q. And BTA Samson and Joe J. Reynolds have all
11 voluntarily committed to the well and signed the AFE?

12 A. Yes.

13 Q. Okay. What is the second page of this exhibit?

14 A. It's just a map showing the interests.

15 Q. By quarter section?

16 A. Yes.

17 Q. Would you identify Exhibit Number 3?

18 A. Exhibit Number 3 is BTA's AFE to plug back the
19 Ojo Chiso Federal Number 3 Well to the Atoka and attempt
20 recompletion in the Atoka formation. The AFE has been
21 signed by Samson Resources. It's also been signed by Joe
22 Reynolds.

23 Q. And copies of those, signed copies of the AFE,
24 are included in the exhibit; is that correct?

25 A. Yes.

1 Q. What is Exhibit Number 4?

2 A. Exhibit 4 is a joint operating agreement covering
3 Section 26 as to all depths.

4 Q. And does it authorize BTA to re-enter the Ojo
5 Chiso Number 3 and recomplete in the Atoka?

6 A. Yes.

7 Q. The joint operating agreement authorizes you to
8 recomplete the well?

9 A. Yes.

10 Q. Samson is in agreement with the recompletion, as
11 is Mr. Reynolds?

12 A. Yes.

13 Q. OCD will allow you to recomplete the well; that's
14 correct, is it not?

15 A. Yes.

16 Q. But what will be the impact of Rule 104.C.(2) on
17 this effort?

18 A. Well, that rule, as I understand it, allows only
19 one operator per spaced unit in a particular formation.

20 Q. So after you'd recomplete the well that you
21 originally drilled and own 79 percent of, you then would be
22 unable to operate?

23 A. That's correct.

24 Q. What is Exhibit Number 5?

25 A. Exhibit Number 5 is a letter from Samson

1 Resources supporting BTA's Application for this exception,
2 and also a letter from the other working interest owner,
3 Joe Reynolds, supporting our Application.

4 Q. Is Exhibit Number 6 an affidavit confirming that
5 notice of the Application has been provided to Samson, the
6 other operator on the unit --

7 A. Yes.

8 Q. -- and also attached to that is a notice of
9 publication confirming that notice has been provided in the
10 newspaper; is that correct?

11 A. Yes.

12 Q. In your opinion, will approval of this
13 Application result in more efficient operation of the wells
14 on this spacing unit and otherwise be in the best interest
15 of conservation, the prevention of waste and the protection
16 of correlative rights?

17 A. Yes.

18 Q. Were Exhibits 1 through 6 either prepared by you
19 or compiled under your direction?

20 A. Yes.

21 MR. CARR: Mr. Ezeanyim, at this time we'd move
22 the admission into evidence of BTA Exhibits 1 through 6.

23 EXAMINER EZEANYIM: Exhibits 1 through 6 will be
24 admitted into evidence.

25 MR. CARR: And that concludes my direct

1 examination of Ms. Hughes.

2 EXAMINER EZEANYIM: Thank you.

3 Any questions?

4 (Off the record)

5 EXAMINATION

6 BY EXAMINER EZEANYIM:

7 Q. Okay, Ms. Hughes, you stated that this land is on
8 federal land, right?

9 A. Yes, sir.

10 Q. All of the west section is federal land, right?

11 A. Yes, sir.

12 Q. Currently, what is this -- this Federal Number 3,
13 what is it doing now? Is it producing from the Morrow?

14 A. It's shut in.

15 Q. It's shut in?

16 A. Yes, sir.

17 Q. It's shut in because you want to do what you're
18 here today for, right?

19 A. Well, we've just about done everything we can
20 with the Morrow.

21 Q. That is, the Morrow is no more productive?

22 A. No.

23 Q. So maybe I understand it -- you know, I'm just
24 trying to understand the concept --

25 A. Sure.

1 Q. -- on what the -- why you want to do this. So
2 why do you want to do that? The Morrow is no more
3 productive, you want to plug back the Morrow and go upward
4 to the Atoka?

5 A. Yes, sir.

6 Q. And you stated in your testimony that you
7 discussed with Samson Resources, I think, the well in the
8 northwest quarter --

9 A. Yes, sir.

10 Q. -- over there, and they agreed with your
11 proposal?

12 A. Yes, sir.

13 Q. Could you tell me why, you know -- you did
14 discuss about them also being the operator of that well you
15 are going to plug back? Did you discuss that during your
16 conversations or, you know, you just decided to be a second
17 operator? Was there any discussion among both you and
18 Samson Resources that Samson Resources take control of this
19 well when you plug it back to the Atoka?

20 A. We considered that, but you know, since we have
21 75 percent in the Atoka and since we drilled this well from
22 the beginning, we thought it best, and Samson agreed, that
23 we operate.

24 Q. Well, the rule says one operator per spacing
25 unit.

1 A. That's right, that's right.

2 Q. You have 25 percent in the unit, right? Is that
3 what you said? I mean, 25 percent -- Reynolds, from a
4 farmout agreement?

5 A. Yes, sir, and we've bought some other interests
6 in there through the years; that's why we have the larger
7 interest in Samson.

8 Q. Okay, and you talk about JOA, and the JOA gives
9 you that authority to -- gives you the right to drill in
10 that unit?

11 A. Yes, sir.

12 Q. There's one question that comes to mind. Did you
13 ever consider obtaining from us the nonstandard proration
14 unit? I mean, instead of coming to hearing could you guys
15 have applied administratively to obtain an NSP to do what
16 you are trying to do now? Because of the rule currently in
17 effect saying that -- one operator per spacing unit --

18 A. Uh-huh.

19 Q. -- so if you want to do that, I was wondering
20 whether you should have tried to get that spacing unit on
21 that 160, because --

22 MR. CARR: Mr. Examiner --

23 EXAMINER EZEANYIM: -- did you ever think about
24 that?

25 MR. CARR: -- when they brought the matter to me

1 I recommended against that, because we'd never been
2 successful trying to do that in my recollection. We've had
3 cases where we've had two operators both agreeing that you
4 could split a spacing unit, and we had trouble getting that
5 several years ago. So that was really my advice, not
6 something BTA decided.

7 EXAMINER EZEANYIM: Several years ago. Did you
8 try recently?

9 MR. CARR: No, I have not. But after this
10 morning I might.

11 EXAMINER EZEANYIM: Why I'm asking you this
12 question, I'm not trying to be hard on you, I'm just trying
13 to --

14 MR. CARR: Yes.

15 EXAMINER EZEANYIM: -- understand it, you know,
16 if we could do that -- you know, if something we could have
17 done administratively and not come to hearing, but --

18 MR. CARR: Yeah.

19 EXAMINER EZEANYIM: -- but if you said -- well, I
20 mean, you know, if we can see what we can do.

21 MR. CARR: Yes.

22 EXAMINER EZEANYIM: Okay, the Antelope Ridge,
23 this Antelope Ridge Atoka is nonprorated, right? Is it
24 nonprorated --

25 MR. CARR: That's right.

1 EXAMINER EZEANYIM: -- as I understand it?

2 Q. (By Examiner Ezeanyim) And I ask the question
3 again that Samson has no -- I have their letter here saying
4 that they have no problem with that.

5 A. Yes, sir.

6 Q. And both of you will be reporting separately?

7 A. Yes, sir.

8 EXAMINER EZEANYIM: I have no other questions for
9 the witness.

10 THE WITNESS: Thank you.

11 (Off the record)

12 Q. (By Examiner Ezeanyim) Well, my attorney just
13 advised me, you know, because we are working on this
14 problem of one operator per spacing unit, and I have
15 studied this problem quite extensively and I have contacted
16 both the BLM and the SLO, who I feel are going to run into
17 a problem with that. I know this is federal land. I don't
18 know whether you've discussed anything with BLM or if you
19 are doing that. Did you have any discussion with BLM on
20 that?

21 A. I have not.

22 Q. For example, suppose we approve this -- you are
23 asking us, and then make it contingent on the land, and
24 they said no. I mean we're just wasting our time here, and
25 that's really the question.

1 So did you -- you know, I was hoping that you may
2 have discussed it with them, because this unit is in their
3 land so that I see what you would do. I know what -- Of
4 course, I've talked with them, I know what they would do,
5 you know. I can give you an idea of what BLM does in such
6 situations.

7 What they do now, I don't know. If they have a
8 communitization agreement with the initial operator, which
9 is BTA properties, any operator coming in there may come
10 in, but -- because you are talking about production
11 reporting, reporting the production, the only person they
12 know that might report that production would be the
13 original operator.

14 But I don't know whether they have that
15 communitization agreement. It's something that you guys
16 have to find out.

17 A. We don't, we don't operate this on a
18 communitization, it's just one lease.

19 Q. No, I'm not talking about you, I'm talking about
20 BTA and BLM, because they may have that. Once they have
21 that, they look at BTA as somebody who's going to report
22 all production from their unit, regardless of how many
23 operators are on that unit.

24 A. I see.

25 Q. So but now, your testimony suggests that you

1 report your production and BTA report their production, so,
2 you know, that's one thing you might look at, assuming we
3 approve this order, it's one thing you might look at and
4 see, maybe rearrange your priorities, but just trying to
5 make that comment.

6 A. Okay, thank you.

7 EXAMINER EZEANYIM: Any more questions?

8 MS. MacQUESTEN: No questions, thank you.

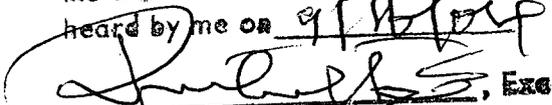
9 THE WITNESS: Thank you.

10 MR. CARR: Mr. Examiner, that concludes our
11 presentation in this case.

12 EXAMINER EZEANYIM: In that case, Case 13,342
13 will be taken under advisement.

14 (Thereupon, these proceedings were concluded at
15 8:50 a.m.)

16 * * *

17
18
19 I do hereby certify that the foregoing is
20 a complete record of the proceedings in
the Examiner hearing of Case No. 13342
heard by me on 9/18/84.
21  Examiner
22 Off Conservation Division
23
24
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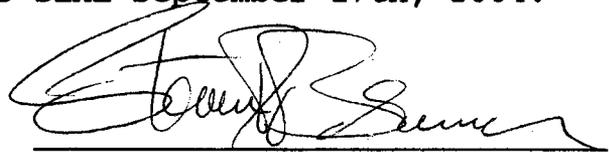
CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
 COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL September 17th, 2004.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 16th, 2006