

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. 11,390
)	
HEARING CALLED BY THE OIL)	
CONSERVATION DIVISION UPON)	
ITS OWN MOTION)	
)	

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

ORIGINAL

BEFORE: DAVID R. CATANACH, Hearing Examiner

September 21, 1995

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, September 21st, 1995, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

STEVEN T. BRENNER, CCR
(505) 989-9317

I N D E X

September 21st, 1995
Examiner Hearing
CASE NO. 11,390

PAGE

DIVISION WITNESSES:

MARK ASHLEY (Geologist)

Direct Testimony by Mr. Ashley

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Examination by Examiner Catanach

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REPORTER'S CERTIFICATE

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* * *

E X H I B I T S

Applicant's

Identified

Admitted

Exhibit 1

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* * *

1 WHEREUPON, the following proceedings were had at
2 3:53 p.m.:

3 EXAMINER CATANACH: Okay, let me call Case Number
4 11,390, which is in the matter of the hearing called by the
5 Oil Conservation Division upon its own motion for an order
6 creating and extending certain pools in Rio Arriba,
7 Sandoval and San Juan Counties, New Mexico.

8 Is there a Division appearance in this case?

9 MR. ASHLEY: Yes, my name is Mark Ashley and I
10 work for the Oil Conservation Division. I'm a geologist
11 here.

12 EXAMINER CATANACH: Okay, Mr. Ashley, before you
13 proceed, let me swear you in as a witness in this case.
14 Will you stand and raise your right hand?

15 (Thereupon, the witness was sworn.)

16 EXAMINER CATANACH: Okay, you may proceed, Mr.
17 Ashley, with what you've got there.

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

21 DIRECT TESTIMONY

22 BY MR. ASHLEY: Okay, I've testified before for
23 nomenclature. I've prepared nomenclature in the past, the
24 advertisements. And to the best of my knowledge as a
25 professional geologist, after reviewing this, I see that

1 these creations and extensions are in proper order, and I
2 think they should be accepted as is.

3 EXAMINATION

4 BY EXAMINER CATANACH:

5 Q. Okay, Mr. Ashley. Were these prepared by the
6 Division in the normal course of their business?

7 A. Yes.

8 Q. Basically, that was probably prepared by the
9 geologist up in the Aztec office?

10 A. Right, that was prepared by Ernie Bush.

11 Q. Okay. Have you looked at the docket and the
12 advertisement for this case and found any differences, or
13 have you been advised that there are no differences in the
14 two?

15 A. I've briefly reviewed it and been advised that
16 there are no differences in the two.

17 Q. Okay, is that exhibit marked in any form or
18 fashion as Exhibit Number 1, or will you proceed to do
19 that? If it's not marked at the current time, we can mark
20 it.

21 A. All it has is a case number on it.

22 Q. Okay, why don't we mark that as Exhibit Number 1?
23 And we'll go ahead and admit that as evidence in this case.

24 And do you have anything further to add to your
25 testimony, Mr. Ashley?

1 A. No, sir, I don't.

2 EXAMINER CATANACH: Okay, and that being the
3 case, we will take Case 11,390 under advisement.

4 And this hearing is adjourned.

5 (Thereupon, these proceedings were concluded at
6 3:54 p.m.)

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 11390,
heard by me on 8/21 1998.
David R. Catnach, Examiner
Oil Conservation Division

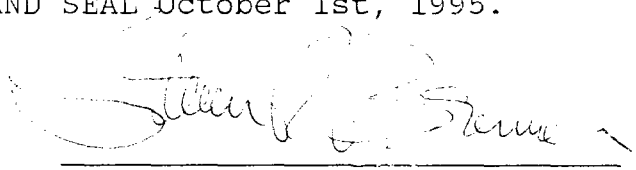
CERTIFICATE OF REPORTER

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 October 1st, 1995.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1998

CASE 11389: Application of Nearburg Exploration Company for compulsory pooling, directional drilling, a non-standard oil proration unit, and an unorthodox bottomhole oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval to re-enter its plugged and abandoned Stillings "7D" Federal Well No. 1, located 660 feet from the North line and 773 feet from the West line (Lot 1/Unit D) of Section 7, Township 17 South, Range 38 East, and recomplate said well in either the Undesignated South Humble City-Strawn or Undesignated Shipp-Strawn Pool by directionally drilling in such a manner as to bottom said well in the Strawn formation within a target area that is 100 feet of a point 330 feet from the North line and 2310 feet from the West line (Unit C) of said Section 7, which is considered to be an unorthodox oil well location for both pools. The applicant further seeks an order pooling all mineral interests from the surface to the base of the Strawn formation underlying Lot 1 and the NE/4 NW/4 (N/2 NW/4 equivalent) of said Section 7 to form a non-standard 77.78-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre spacing within said vertical extent, which presently includes only the Strawn interval. Said unit is to be dedicated to said Stillings "7D" Federal Well No. 1. Also to be considered will be the value of the existing wellbore, the cost of re-entering, directional drilling, and recompleting said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Nearburg Producing Company as the operator of the well and unit and a charge for risk involved in re-entering and recompleting said well. Said unit is located approximately 4.25 miles north-northeast of Humble City, New Mexico.

CASE 11372: (Readvertised)

Application of AnSon Gas Corporation for compulsory pooling, directional drilling, and an unorthodox bottomhole oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval to recomplate its existing Mary "33" Well No. 1, located at a standard surface oil well location 2040 feet from the North line and 2310 feet from the West line (Unit F) of Section 33, Township 16 South, Range 38 East, by kicking-off from the vertical wellbore and directionally drill in such a manner as to bottom said well in the Devonian formation within a standard 40-acre oil spacing and proration unit comprising the NE/4 NW/4 (Unit C) of said Section 33 at an unorthodox oil well location that is no nearer to the southern boundary of said 40-acre tract than 26 feet nor nearer to the eastern boundary of said 40-acre tract than 103 feet (this being a point that is 1294' FNL - 2537' FWL of said Section 33). The applicant further seeks an order pooling all mineral interests within the Devonian formation underlying said 40-acre tract in said Section 33. Said unit is to be dedicated to the aforementioned Mary "33" Well No. 1. Also to be considered will be the cost of directional drilling and recompleting said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and unit and a charge for risk involved in directional drilling and recompleting said well. Said unit is located approximately 3 miles north-northeast of Knowles, New Mexico.

CASE 11370: (Continued from August 24, 1995, Examiner Hearing.)

Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the base of the Bone Spring formation to the base of the Morrow formation, underlying the N/2 of Section 36, Township 17 South, Range 30 East, to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent which presently includes but is not necessarily limited to the Undesignated Loco Hills-Atoka Gas Pool and the Cedar Lake-Morrow Gas Pool. Said unit is to be dedicated to a well to be drilled at a standard gas well location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and unit, and a charge for risk involved in drilling and completing said well. Said unit is located approximately 4 miles east-southeast of Loco Hills, New Mexico.

CASE 11264: (Continued from September 7, 1995, Examiner Hearing.)

Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Canyon formation underlying the NE/4 of Section 24, Township 19 South, Range 25 East, forming a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated North Dagger Draw Upper-Pennsylvanian Pool. Said unit is to be dedicated to its Fairchild "24" Well No. 2 to be drilled at a standard location in the NW/4 NE/4 (Unit B) of said Section 24. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and unit, and a charge for risk involved in drilling and completing said well. Said unit is located approximately 4 miles west-northwest of Lakewood, New Mexico.

CASE 11310: (Reopened and Readvertised)

Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Canyon formation underlying the SE/4 of Section 16, Township 19 South, Range 25 East, forming a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent which presently includes but is not necessarily limited to the North Dagger Draw-Upper Pennsylvanian Pool. Said unit is to be dedicated to a well to be drilled at a standard oil well location in the SW/4 SE/4 (Unit O) of said Section 16. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and unit, and a charge for risk involved in drilling and completing said well. Said unit is located approximately 7 miles northwest of Lakewood, New Mexico.

CASE 11311: (Reopened).

Application of Nearburg Exploration Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Canyon formation underlying the SE/4 of Section 16, Township 19 South, Range 25 East, forming a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the North Dagger Draw Upper-Pennsylvanian Pool. Said unit is to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Nearburg Producing Company as the operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 7 miles northwest of Lakewood, New Mexico.

CASE 11368: (Readvertised)

Application of Plains Petroleum Company for a pressure maintenance project, special project allowable, a qualification for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act", Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a cooperative pressure maintenance project on portions of its E. C. Hill "B" Federal and Baylus Cade Federal leases underlying the SE/4 of Section 34 and the SW/4 of Section 35, both in Township 23 South, Range 37 East, by the injection of water into the McKee formation of the Teague (Simpson) Pool through the following two wells to be converted to water injection wells: the Baylus Cade Well No. 5, located 985 feet from the South line and 1650 feet from the West line (Unit O) of said Section 35 and the E. C. Hill "B" Federal Well No. 13 located on the surface 947 feet from the South line and 1361 feet from the East line (Unit O) of said Section 34. Also to be considered is a special project allowable, pursuant to Division General Rule 104.F(2), that is equal to the pool's depth bracket allowable times the total number of wells in the project and the ability to produce said project allowable from any of the producing wells in any proportion. The applicant further seeks an order pursuant to the rules and procedures for Qualification of Enhanced Oil Recovery Projects and Certification for the Recovered Oil Tax Rate, as promulgated by Division Order No. R-9708, qualifying that portion of said waterflood project encompassing the planned pattern change, for the recovered oil tax rate under the "New Mexico Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5). This area is located approximately 12 miles south of Eunice, New Mexico.

CASE NOS. 10869 and 10881: Reopened and Continued from June 29, 1995, Examiner Hearing.)

In the matter of Case Nos. 10869 and 10881 being reopened in accordance with provisions of Division Order No. R-10050, which amended the special pool rules and regulations for the South Dagger Draw-Upper Pennsylvanian Associated Pool in Eddy County, providing for a limiting gas-oil ratio of 7,000:1 cubic feet of gas per barrel of oil. Operators in the subject pool may appear and present evidence and testimony regarding the continuation or the adjustment of the 7,000:1 gas-oil ratio limitation within the South Dagger Draw-Upper Pennsylvanian Associated Pool.

CASE 11390: In the matter of the hearing called by the Oil Conservation Division upon its own motion for an order creating and extending certain pools in Rio Arriba, Sandoval, and San Juan Counties, New Mexico.

- (a) CREATE a new pool in San Juan County, New Mexico, classified as a gas pool for Pictured Cliffs production and designated as the Escavado-Pictured Cliffs Pool. The discovery well is the Dugan Production Corporation Hendrix Well No. 2 located in Unit B of Section 7, Township 22 North, Range 8 West, NMPM. Said pool would comprise:

TOWNSHIP 22 NORTH. RANGE 8 WEST. NMPM

Section 7: NE/4

- (b) EXTEND the Blanco-Mesaverde Pool in Rio Arriba and San Juan Counties, New Mexico, to include therein:

TOWNSHIP 28 NORTH. RANGE 10 WEST. NMPM