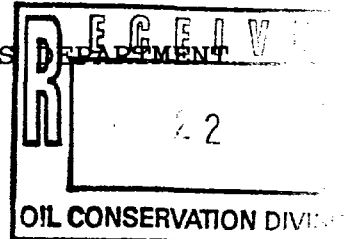


STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION



IN THE MATTER OF THE HEARING CALLED BY)
THE OIL CONSERVATION DIVISION FOR THE)
PURPOSE OF CONSIDERING:)

CASE NO. 11,586

APPLICATION OF AMOCO PRODUCTION COMPANY)
FOR SIMULTANEOUS DEDICATION, SAN JUAN)
COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

August 8th, 1996

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, August 8th, 1996, 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.

* * *

I N D E X

August 8th, 1996
 Examiner Hearing
 CASE NO. 11,586

PAGE

APPLICANT'S WITNESS:

PAMELA W. STALEY (Engineer)

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Examination by Mr. Johnson	15

REPORTER'S CERTIFICATE	17
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E X H I B I T

Applicant's	Identified	Admitted
Exhibit 1	5	12

* * *

A P P E A R A N C E S

FOR THE DIVISION:

ROY E. JOHNSON
 Geologist, NMOCD
 2040 South Pacheco
 Santa Fe, New Mexico 87505

FOR THE APPLICANT:

CAMPBELL, CARR, BERGE and SHERIDAN, P.A.
 Suite 1 - 110 N. Guadalupe
 P.O. Box 2208
 Santa Fe, New Mexico 87504-2208
 By: WILLIAM F. CARR

* * *

1 WHEREUPON, the following proceedings were had at
2 8:15 a.m.:

3 EXAMINER STOGNER: Call this hearing to order.
4 Please make note of today's docket, Number 22-96, today's
5 date, August 8th, 1996. I'm Michael Stogner, appointed
6 Hearing Examiner for today's cases.

7 I'll call at this time Case Number 11,586, which
8 is the Application of Amoco Production Company for
9 simultaneous dedication, San Juan County, New Mexico.

10 At this time I'll call for appearances.

11 MR. CARR: May it please the Examiner, my name is
12 William F. Carr with the Santa Fe law firm Campbell, Carr,
13 Berge and Sheridan. We represent Amoco Production Company
14 in this matter, and I have one witness.

15 EXAMINER STOGNER: Are there any other
16 appearances in this matter?

17 Will the witness please stand to be sworn?

18 (Thereupon, the witness was sworn.)

19 EXAMINER STOGNER: Mr. Carr?

20 PAMELA W. STALEY,
21 the witness herein, after having been first duly sworn upon
22 her oath, was examined and testified as follows:

23 DIRECT EXAMINATION

24 BY MR. CARR:

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

1 A. My name is Pamela Staley.

2 Q. And where do you reside?

3 A. I reside in Denver, Colorado.

4 Q. By whom are you employed?

5 A. Amoco Production Company.

6 Q. And what is your current position with Amoco?

7 A. I'm a staff petroleum engineer in regulatory
8 affairs.

9 Q. Ms. Staley, have you previously testified before
10 this Division and had your credentials as a petroleum
11 engineer accepted and made a matter of record?

12 A. Yes, sir, I have.

13 Q. Are you familiar with the Application filed in
14 this case on behalf of Amoco?

15 A. Yes.

16 Q. And are you familiar with the subject area?

17 A. Yes.

18 MR. CARR: Are the witness's qualifications
19 acceptable?

20 EXAMINER STOGNER: They are.

21 Q. (By Mr. Carr) Would you initially just summarize
22 what Amoco seeks with this Application?

23 A. Amoco seeks an exception to Division Rule 104 (D)
24 (3) to simultaneously dedicate the following wells to the
25 160.24-acre gas spacing and proration unit, comprised of

1 Lots 3 and 4 in the east half of the northwest quarter of
2 Section 2, Township 31 North, Range 14 West of the New
3 Mexico Principal Meridian, San Juan County, New Mexico.

4 That includes Amoco's proposed Ute Indian "A"
5 Well Number 22, to be drilled at a location 1880 feet from
6 the north line and 2150 feet from the west line of the said
7 Section Number 2, also Amoco's existing Ute Indian "A" Well
8 Number 17, located 1150 feet from the north line and 1050
9 feet from the west line of the said Section 2.

10 Amoco proposes to continuously and concurrently
11 produce Ute Dome-Dakota Pool gas from these wells.

12 Q. Now, Ms. Staley, we're dealing with an irregular
13 section, are we not?

14 A. Yes, we are.

15 Q. And when we put in Lots 3 and 4 with the east
16 half of the northwest, we're looking at what is the
17 northwest quarter equivalent for Section 2; is that
18 correct?

19 A. That's correct.

20 Q. Have you prepared exhibits for presentation here
21 today?

22 A. Yes, sir, I have.

23 Q. And are those exhibits contained in a booklet
24 marked Amoco Production Company Exhibit Number 1?

25 A. Yes.

1 Q. Let's go to that booklet, and could you just
2 identify the first document contained therein?

3 A. The first document there is our Application to
4 the NMOCD for simultaneous dedication.

5 Q. Now, Ms. Staley, there is a discrepancy between
6 the well locations in the Application filed for this
7 hearing and in the exhibits prepared for hearing today.
8 Could you review the reasons for that discrepancy for the
9 Examiner?

10 A. Yes. This particular tract is in an area that we
11 originally used an earlier survey of 1923. This area had
12 been resurveyed. The description in the Application was
13 based on that old survey that had been in use for about 50
14 years.

15 The tract is in an area that's within where the
16 new survey was published and accepted in 1993, and the
17 descriptions in our exhibit book today are from that new
18 survey.

19 Q. Now, there are other wells in the area that Amoco
20 has plans to drill. They fall outside the area where the
21 survey has been published and accepted; is that not
22 correct?

23 A. That is correct. There will be some wells that
24 we drill that are in an unpublished, unsurveyed area.

25 Q. What is the impact of the new survey on the

1 locations of the wells which are, in fact, the subject of
2 this Application?

3 A. This causes the locations to move. The location
4 of the Ute "A" Number 22 is now unorthodox, and the well is
5 490 feet from the east line and 760 feet from the south
6 line of this 160-acre unit, instead of the regulated 790-
7 foot setback.

8 Q. So the original locations that were proposed and
9 contained in the Application are based on the old USGS
10 survey; is that right?

11 A. Yes, that is correct.

12 Q. So this new 1993 survey changes the markers; the
13 wells are still where you had hoped to originally drill
14 them?

15 A. That is correct.

16 Q. Now, as to the unorthodox location for the Ute
17 Indian "A" Well Number 22, will Amoco file an application
18 for administrative approval?

19 A. Yes, we will. This location is necessary for
20 geological reasons and the surface-use requirements. We've
21 met with the Ute Mountain Utes, as well as the BLM, and
22 we're trying to use existing pads where we can. And for
23 geological and surface-location reasons, we want to use
24 this location.

25 Q. Does Amoco operate all the offsetting tracts to

1 this proposed well location?

2 A. Yes, Amoco does.

3 Q. So it would qualify for administrative approval?

4 A. Yes, it would.

5 Q. What is the primary objective in the proposed
6 well?

7 A. The basal Dakota formation.

8 Q. Let's go to the next document in this exhibit,
9 the topographic map. Could you review that for Mr.
10 Stogner?

11 A. Yes, the topographic map shown with the arrow
12 shows the location of the well. This also includes the
13 area that we shot the 3-D seismic across.

14 All the well locations in here are operated by
15 Amoco and represent both Dakota and Paradox wells.

16 The red dots in the area are proposed wells in
17 our drilling program this year that we'll be filing
18 administrative applications on, as well as the well we're
19 talking about here today.

20 Q. Now, you indicated Amoco had met with the Ute
21 Mountain Utes and the BLM concerning the location for the
22 proposed Ute Mountain -- or the Ute Indian "A" Well Number
23 22?

24 A. Yes, we met with them, and this location is
25 acceptable to them.

1 Q. Let's go to the next plat in the exhibit book.
2 Can you identify and review that, please?

3 A. Yes, this plat shows part of the 4200-acre lease
4 that we have under lease from the Ute Mountain Utes. As
5 you can see, Amoco would be the only affected offset
6 operator in this particular location.

7 Q. The next page is what?

8 A. The next page is just a C-102, which shows the
9 survey location for the Ute Indian "A" Well Number 22.

10 Q. All right, and let's go, then, to the following
11 plat. Can you identify and review that?

12 A. Yes, we're going to be talking about two wells
13 today in this quarter section. This shows the location of
14 both of the wells on the proration unit. There are 1320
15 feet between the two wells.

16 Q. And these are -- You're showing here the new
17 footage setbacks?

18 A. That is correct.

19 Q. And the proposed well is unorthodox to the east?

20 A. That is correct.

21 Q. All right. Let's go to the seismic map, the next
22 exhibit, and I'd ask you to explain what this is and then
23 review the information on this exhibit for Mr. Stogner.

24 A. This is a map on the base of the Dakota. The red
25 area -- and I apologize for the quality of the reproduction

1 here, but the red area shows the highs in the -- on the
2 dome, the green areas would show the lowest areas on the
3 dome.

4 The arrow shows the location of the Ute Indian
5 "A" Number 22.

6 The bright-colored faults, red, blue, light blue,
7 et cetera, going across the structure, are existing faults
8 that we have known about.

9 The 3-D seismic has shown quite a few new faults,
10 as you can see in the light brown, and we found that this
11 is a much more shattered and broken-up dome than we
12 originally anticipated.

13 There is fault separation. If you look between
14 the "A" Number 22 -- and the "A" 17 is posted to the
15 northwest of that well -- rather faintly, I apologize, but
16 it is posted there on the seismic. As you can see, they
17 are fault-separated by the fault right next to the "A" 22
18 well.

19 The -- There are more wells needed to produce the
20 reserves in this pool, we believe, because of the complex
21 faulting.

22 There is a well, you'll note, right next to the
23 "A" Number 22. It's a small circle there. This well is
24 producing deep sour gas from the Paradox limestone, and we
25 will twin the existing "A" 7 well, rather than producing

1 out of it, because we don't want any chance of mixing those
2 gas streams.

3 Q. Let's go now to the two-well cross-section, and
4 I'd ask you to review that for the Examiner.

5 A. We're going to be looking from the "A" 17 well
6 across to the Ute Indian Number 7, which was the well right
7 next to the "A" 22.

8 Between those wells we have very good evidence
9 now of the fault separation between those blocks. Two
10 faults we see, or we believe actually separate these wells.
11 The log and the seismic data confirm the fault separation
12 between the "A" 17 well and the Number 2 well that we have
13 proposed.

14 Q. All right, let's go to the last page of the
15 exhibit book, and I'd ask you to review the 3-D seismic
16 analysis.

17 A. Again, we're going to tour here from the "A" 17
18 well, shown with a well marker at the top, to the "A" 7
19 well, then through our proposed location, and then on
20 across the section to the next fault.

21 The basal Dakota, which is our objective, is
22 shown in the green, and you can see that there is a fault
23 -- the two faults that we saw shown on the cross-section,
24 and then our well, showing it in a high location, and then
25 the downthrown fault, again confirming the evidence that

1 this is fault-separated from the "A" 22 -- pardon me, from
2 the "A" 17 well.

3 Q. Ms. Staley, in your opinion is the Ute Indian "A"
4 Well Number 22 necessary to effectively drain the reserves
5 under the subject 160-acre spacing and proration unit?

6 A. Yes, we believe this is on a separate fault
7 block.

8 Q. Will approval of this Application and the
9 simultaneous dedication of the Indian "A" Wells Numbers 17
10 and 22 be in the best interests of conservation, the
11 prevention of waste and the protection of correlative
12 rights?

13 A. Yes, sir.

14 Q. Was Exhibit 1 either prepared by you, or can you
15 testify as to its accuracy?

16 A. Yes.

17 MR. CARR: At this time, Mr. Stogner, we would
18 move the admission into evidence of Amoco Exhibit Number 1.

19 EXAMINER STOGNER: Exhibit Number 1 will be
20 admitted into evidence at this time.

21 MR. CARR: And that concludes my direct
22 examination of Ms. Staley.

23 EXAMINATION

24 BY EXAMINER STOGNER:

25 Q. Ms. Staley, whenever I look at the Form C-102 in

1 your plat -- or, I'm sorry, in your booklet -- that is, of
2 course, the land plat in the OCD form -- is that based on
3 the old survey or the new survey?

4 A. That is based on the new survey. We have
5 surveyed this now three times, and this is a brand-new plat
6 that we have done.

7 Q. And how about the location of the Number 17 well?

8 A. The survey? Are you asking about --

9 Q. Yeah, what is its new location? Is that shown on
10 the next plat?

11 A. That is shown on the next plat. The two
12 locations shown on the plat saying "Well Locations" at the
13 top are the correct surveyed locations.

14 Q. Now, has this survey been published and accepted
15 by the USGS?

16 A. Yes, sir, it has.

17 Q. And that was the resurvey of 1993?

18 A. It was accepted in -- It was actually surveyed in
19 1985 and not accepted until 1993 and published.

20 Q. And this is based on the New Mexico Principal
21 Meridian?

22 A. Yes, sir.

23 Q. Mr. Carr stated in his cross-examination -- I
24 mean in his direct examination to you that Amoco plans to
25 file for a nonstandard location?

1 A. Yes, sir.

2 Q. Has that been done yet?

3 A. It has not.

4 EXAMINER STOGNER: I see, it's not.

5 I'm going to request, Mr. Carr, at this time that
6 if you can get something over to me this afternoon or
7 tomorrow --

8 MR. CARR: Yes, sir, we can do that.

9 EXAMINER STOGNER: -- requesting that in a one-
10 page letter, referencing back to this material and what's
11 been presented today, and let's try to kill two birds with
12 one stone, and I'll just include that as applicable in any
13 order that's issued from this order.

14 Q. (By Examiner Stogner) Would that be any problem
15 with Amoco?

16 A. That would be quite acceptable. We'd like to
17 drill these --

18 MR. CARR: That would be preferred, Mr. Stogner.

19 Q. (By Examiner Stogner) Okay. Now, when I look at
20 the topographic map of the Ute Dome field, you show section
21 lines in here. Is that based on the old one, or is this a
22 new survey?

23 A. We have taken the topography off of that quad and
24 we have put the new surveyed lines onto that. So
25 everything in this booklet represents the new survey.

1 Q. Now, usually a section 2 is in the northern
2 portion of a township, and they usually have -- how would
3 you say? -- corrective lots in the northern tier. Is that
4 apparent in this new survey? I don't have a copy of it.

5 A. I don't believe so, Mr. Stogner. I believe that
6 the -- there are not any along the northern line that I'm
7 aware of. I believe the northern line is a true line.

8 Q. And so that is a true 640 acres in Section 2?

9 A. I believe it's slightly over 640 acres, but the
10 correction, I believe, is on the east side.

11 Q. Okay.

12 A. And it's very slight.

13 EXAMINER STOGNER: Any other questions of this
14 witness?

15 MR. JOHNSON: I have one.

16 EXAMINATION

17 BY MR. JOHNSON:

18 Q. What was the discrepancies in the footage calls
19 from the 1923 survey to the 1993 survey?

20 A. We had as much as -- well, not on this particular
21 well. We had as much as 300-foot discrepancy on this well.
22 We had as much as 4200 feet on some of our wells. That was
23 in the next township up, in trying to tie to the new
24 markers.

25 Q. Is Amoco going to be filing new C-102s on all of

1 these existing wells out there to show the correction on
2 the survey plots?

3 A. Yes, we've gone back and actually -- We've
4 resurveyed, like I said, three times, twice during our
5 seismic activity, and that's where we had the problem of
6 everything not locating on the map correctly. And so we
7 believe we have the correct survey at this time, on this
8 particular well.

9 This well did not move much at all to the final
10 survey. 300 feet was in an earlier adjustment that we had
11 made. But this particular well moved the least of any of
12 the wells that we're going to drill. But there were some
13 severe movements.

14 EXAMINER STOGNER: No other questions of Ms.
15 Staley? You may be excused.

16 Again, Mr. Carr, if you will submit to me a
17 written request for a nonstandard location and ask that the
18 record in this matter be incorporated in that Application.

19 Other than that, as far as the simultaneous-
20 dedication portion goes, that will be taken under
21 advisement at this time.

22 MR. CARR: Thank you, Mr. Stogner.

23 (Thereupon, these proceedings were concluded at
24 8:35 a.m.)

25 * * *

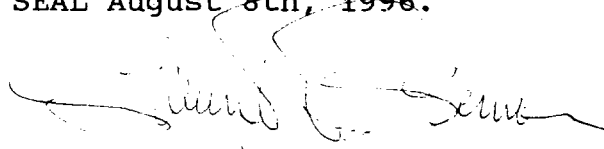
CERTIFICATE OF REPORTER

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.

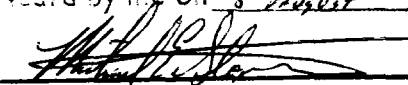
I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL August 8th, 1996.


 STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 1998

I do hereby certify that the foregoing is a complete record of the proceedings in the oral hearing of Case No. 11586, heard by me on 8 August 1996.

, Examiner
 Oil Conservation Division